



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 28 January 2016

**Committee:
Pensions Board**

Date: Friday, 5 February 2016

Time: 10.00 am

Venue: Bridgnorth Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

Members of Pensions Board

Liz Furey – Employer Rep
Pat Hockley – Pensioner Rep
Mike Morris – Pensioner Rep (Chairman)
Stuart Wheeler – Employer Rep

Your Committee Officer is:

Michelle Dulson Committee Officer

Tel: 01743 257719

Email: michelle.dulson@shropshire.gov.uk

AGENDA

1 Apologies

2 Declarations of Conflicts of Interest

Members are reminded that they should declare any interests which may lead to conflicts of interest in the subject area or any specific agenda item of this meeting. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the LGPS.

3 Minutes of the previous meeting (Pages 1 - 6)

The Minutes of the meeting held on 27 July 2015 are attached for confirmation, marked 3.

Contact: Michelle Dulson (01743) 257719

4 Public Question Time

To receive any questions from the public, notice of which has been given.

5 Breaches Policy (Pages 7 - 22)

The Shropshire Council Breaches Policy which also applies to Pension Board Members is attached, marked 5.

Contact: James Walton (01743) 255011

6 Communicating and Safeguarding of 'hard to reach groups' (Pages 23 - 42)

The report of the Pensions Communications Officer is attached, marked 6.

Contact: Rebecca Purfit (01743) 254457

7 Consolidation of Pensions Funds and Pensions Committees

To receive an overview of the Chancellor's recent Autumn announcements.

Contact: James Walton (01743) 255011

8 Training Requirements (Pages 43 - 170)

The report of the Pensions Communications Officer is attached, marked 8.
Contact: Rebecca Purfit (01743) 254457

9 Pension related Complaints (Pages 171 - 172)

The report of the Pensions Communications Officer is attached, marked 9.
Contact: Rebecca Purfit (01743) 254457

10 Issues relating to 'scamming' (Pages 173 - 186)

The report of the Pensions Communications Officer is attached, marked 10.
Contact: Rebecca Purfit (01743) 254457

11 Pensions Committee Reports

To highlight any papers/reports arising from the recent Pensions Committee meeting which may of relevance to the Board.

12 Regulations Updates

To receive any updates.
Contact: Debbie Sharp (01743) 252192

13 Administration Updates

To receive any updates.
Contact: Debbie Sharp (01743) 252192

14 Work Plan

Contact: Rebecca Purfit (01743) 254457

15 Date of Next Meeting

16 Exclusion of Press and Public

To consider approving a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Pensions

Board in relation to Agenda Item 17 shall not be conducted in public on the grounds that it involves the likely disclosure of exempt information as defined by the category specified against it.

17 Exempt Minutes (Exempted by Category 3) (Pages 187 - 188)

The exempt Minutes of the meeting held on 27 July 2015 are attached for confirmation, marked 17.

Contact: Michelle Dulson (01743) 257719



Committee and Date

Pensions Board

5 February 2016

PENSIONS BOARD

Minutes of the meeting held on 27 July 2015 in the Wenlock Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND
10.00 am - 12.25 pm

Responsible Officer: Michelle Dulson
Email: michelle.dulson@shropshire.gov.uk Tel: 01743 257719

Present

Liz Furey – Employer Rep
Pat Hockley – Pensioner Rep
Mike Morris – Pensioner Rep
Stuart Wheeler – Employer Rep

1 Introductions

1.1 The Section 151 Officer welcomed everyone to the first meeting of the Pensions Board and introductions were made.

2 Election of Chairman

2.1 **RESOLVED:**
That Mike Morris be appointed Chairman of the Pensions Board for the current term of office.

3 Apologies

3.1 No apologies were received.

4 Appointment of Vice-Chairman

4.1 **RESOLVED:**
That Pat Hockley be appointed Vice-Chairman of the Pensions Board for the current term of office.

5 Terms of Reference

5.1 The Board received a copy of the Terms of Reference for the Pensions Board of the Shropshire County Pension Fund – copy attached to the signed Minutes – which set out the Board's powers and duties. The Head of Treasury and Pensions informed the Board that the Terms of Reference had been agreed by the Pensions Committee and Full Council and were required to be adopted by the Board.

5.2 The Head of Treasury and Pensions took Members through the Terms of Reference and answered a number of queries in relation thereto. In response to a query the Head of Treasury and Pensions reported that it had been decided not to appoint

substitutes at present although this option was available to them if required. The Section 151 Officer explained that as the Board would only meet twice a year it would be very onerous for substitutes to be kept fully up to speed with training so it had been decided to try to work with four Board Members and to ensure that they were fully up to speed and were required to give notice of any changes, for example, change of employer etc.

- 5.3 In response to a query it was confirmed that if a new Board Member was required, it would be up to the Appointment Board to seek new Members. Board Members were requested to give as much notice as possible if they no longer wished to be Members.
- 5.4 Concern was raised whether two meetings a year would be adequate and it was felt that additional meetings could be held either prior to or following training sessions, if necessary.
- 5.5 A query was raised in relation to questions from members of the public. It was confirmed that Public Question Time could be included as a standard item on future agendas, requiring questions to be submitted a week in advance to allow time for a written response to be prepared. The member of the public would then be invited along to the meeting to read out their question and to have the answer read out. They would then be permitted a supplementary question, the response to which would be provided at that time or outside of the meeting.
- 5.6 **RESOLVED:**
- a) that the Terms of Reference be amended to include Public Question Time as a standard item on future agendas;
 - b) that, subject to the above, the Terms of Reference for the Pensions Board of the Shropshire County Pension Fund be adopted.

6 **Declarations of Conflicts of Interest**

- 6.1 No conflicts of interest were declared.

7 **Standards of Conduct Policy**

- 7.1 The Board received a copy of the Shropshire Council Code of Conduct – copy attached to the signed Minutes – which also applied to members of the Pensions Board. The Head of Treasury and Pensions took Members through the Code of Conduct and requested that any questions be directed through the Committee Officer to Shropshire Council's Legal department.
- 7.2 **RESOLVED** that the contents of the Code of Conduct be noted.

8 **Confirmation of Undertaking of Duties**

8.1 Board Members were reminded of their signed undertaking confirming that they understood the role of the Pension Board, would abide by the Terms of Reference, would declare any conflicts of interest and would attend all meetings and training sessions etc.

9 Training Requirements

9.1 The Board received the report of the Pensions Communications Officer – copy attached to the signed Minutes – which provided Board Members with information on the appropriate knowledge and understanding required to ensure the regulatory requirements were met in relation to training.

9.2 The Pensions Communications Officer explained that it was hoped that a training plan would be developed over time as gaps in knowledge and skills were identified. She informed the meeting that all officers and Pensions Committee Members were being asked to complete the eLearning training, which was not LGPS specific.

9.3 A brief discussion ensued and the following actions were agreed:

- i) Board Members to complete all seven modules of the eLearning programme by the first week in January and to either print off or email the development record showing which modules had been completed. Members to also self-identify any gaps in knowledge;
- ii) The Pensions Communications Officer to put together a register of learning so that all training could be recorded in order for any gaps in knowledge to be identified, a link to which to be made available to Board Members;
- iii) The Pensions Communications Officer to make Board Members aware of any other reading recommendations for The Pensions Regulator;
- iv) The Pensions Communications Officer to let the Committee Officer know the date of the next employers meeting in October for dissemination to Board Members;
- v) The Pensions Communications Officer to look into the possibility of setting up a shared calendar for Board Members to access;
- vi) That a draft Training Plan be prepared in time for the next meeting;
- vii) The Pensions Communications Officer to seek advice from the LGA about how it intended to communicate with Board Members;
- viii) Training Requirements/Regulation Updates to be a standard item on future agendas; and
- ix) The Pensions Communications Officer to provide Board Members with a list of updates/emails received.

9.4 **RESOLVED:**

- a) To accept the position as set out in the report;
- b) To read and understand the Pension Regulators Code of Practice no. 14 – Governance and Administration of public service pension schemes, set out at Appendix A to the report;
- c) That a training Policy be established and put into place;
- d) That the Pensions Communications Officer be designated to take responsibility for ensuring the training requirements of the Board were met and recorded; and
- e) That the actions set out at paragraph 9.3 above be approved.

It was agreed to take Agenda Item 11 – Pension Fund Annual Report Overview next.

10 Pension Fund Annual Report Overview

10.1 The Board Members received an overview of last year's Pension Fund Annual Report which had been signed off by the Pensions Committee at its meeting on 25 September 2014. The Head of Treasury and Pensions reported that the role of the Pensions Board had been included in the 2014/15 report, a copy of which would be sent to the Board Members.

10.2 In response to a query the Pensions Communications Officer agreed to find out how many people had actually looked at the Annual Report. The Treasury Accountant took the Board Members through the accounts and requested them to direct any queries to herself.

10.3 **RESOLVED:** that the contents of last year's Pension Fund Annual Report be noted.

11 Pension Committee Reports

11.1 The Head of Treasury and Pensions took the Board through the reports considered by the Pensions Committee at its meeting on 26 June 2015.

11.2 **RESOLVED** that the contents of the reports be noted.

It was agreed to take agenda items 14 – Exclusion of Press and Public and 15 – Exempt Pension Committee reports next.

12 Exclusion of Press and Public

12.1 **RESOLVED:** That in accordance with the provision of Schedule 12A of the Local Government Act 1972 and paragraph 10.2 of the Council's Access to Information Procedure Rules, the public and press be excluded during consideration of item 13 on the grounds that it involves the likely disclosure of exempt information as defined by the category specified against it.

13 Exempt Pension Committee Reports (Exempted by Category 3)

13.1 The Head of Treasury and Pensions took the Board through the exempt reports considered by the Pensions Committee at its meeting on 26 June 2015 – copy attached to the signed exempt Minutes.

13.2 **RESOLVED** that the contents of the exempt reports be noted.

14 Consideration of any actions required in advance of the next meeting

14.1 See paragraph 9.3 for any actions required in advance of the next meeting.

15 Work Plan for 2015/16

15.1 The following items were suggested as possible future agenda items:

- Budget;
- How the Pensions Scheme was administered;
- Communication with hard to reach Scheme Members.

15.2 The Chairman requested a short paper for the next meeting to assist a discussion on those hard to reach Scheme Members eg those with dementia, to ensure the safeguarding of their pensions and also to safeguard against financial abuse by family and friends. In response, the Pensions Communications Officer informed the Board that there were checks and balances in place and a report would be requested from the Pensions Administration Manager setting this out.

15.3 It was requested that Administration and Regulations Updates be included as standard items on future agendas.

15.4 The Pensions Communications Officer stated that if any other items came out of that weeks' training session these could be added to the work plan and she would send a copy of the training presentations to Board Members.

16 Date of Next Meeting

16.1 The next meeting of the Pensions Board would be held at 10am on Friday 5 February 2016 in the Bridgnorth Room.

16.2 The next meeting of the Pensions Committee would be held at 9.30am on Friday 25 September 2015 in the Shrewsbury Room.

Signed (Chairman)

Date:

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	
27 November 2015	
10.00am	
	5
	Public

NEW POLICY – BREACHES POLICY

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk

Tel: (01743)
255011

Fax (01743)
252184

1. Summary

- 1.1 The report outlines the requirement for all individuals with a role in the LGPS (including members of the Committee, members of the Local Pension Board and officers) have a duty to report breaches of law when they have reasonable cause to believe that a breach has occurred. There should be no reliance placed on waiting for others to report breaches

The Pensions Regulator's Code of Practice, which became official guidance for the LGPS on 1st April 2015, includes practical guidance and expected standards (i.e. best practice) in relation to reporting breaches. This policy and procedure has been designed to comply with the guidance and ensure that Shropshire County Pension Fund follows best practice in this area.

2. Recommendations

- 2.1 The Committee is asked to approve, with or without comment, the Breaches Policy at Appendix A.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk management is considered by Committee in making decisions under the governance arrangements outlined.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal.

- 3.4 The policy will be issued to employers and published on the Scheme's website.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.
- 4.2 Compliance with The Pension Regulators guidance does reduce the likelihood of being fined for non-compliance or wrong doing.

5. Background

- 5.1 All individuals with a role in the LGPS have a duty to report breaches of Law when they have reasonable cause to believe that:
- A legal duty relevant to the administration of the scheme has not been, or is not being, complied with; and
 - The failure to comply is likely to be of material significance to the Regulator.
- 5.2 This includes officers of the administering authority (Shropshire Council), the Pensions Committee, Shropshire local pension board (LPB) members, scheme employers, professional advisers (e.g. actuary, fund managers) as well as any other person involved in advising the administering authority in relation to the scheme.
- 5.3 A person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.
- 5.4 The Pensions Regulator's Code of Practice, which became official guidance for the LGPS on 1st April 2015, includes practical guidance and expected standards (i.e. best practice) in relation to reporting breaches. This policy and procedure has been designed to comply with the guidance and ensure that Shropshire LGPS follows best practice in relation to reporting breaches.
- 5.5 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 5.6 All reporters should have procedures in place to meet their reporting duty and there should be no reliance placed on waiting for others to report. Practical guidance in relation to this legal requirement is included in The Pensions Regulator's Code of Practice and this policy and procedure has been developed to reflect that guidance.

5.7. The policy and procedure set out in Appendix A details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

6. Conclusion

- 6.1 Following approval this policy will be issued to all employers and published on the website.
- 6.2 All individuals with a role in the LGPS have a duty to report breaches of law when they have reasonable cause to believe that a breach of material significance to the Pensions Regulator has taken place. Where a breach is not deemed material there is a requirement to record the breach.
- 6.3 In line with guidance issued by the Pensions Regulator, Shropshire LGPS has developed a policy and procedure for ensuring those responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member N/A
Local Member N/A
Appendices A – Breaches Policy

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SHROPSHIRE PENSION BOARD

Reporting Breaches Procedure

1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies, in the main, to:
 - all members of the Shropshire Pension Board;
 - all officers involved in the management of the Pension Fund ;
 - personnel of the pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
 - officers of employers participating in the Shropshire County Pension Fund who are responsible for pension matters.

2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.
- 2.2 **Pensions Act 2004**
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:
 - a trustee or manager of an occupational or personal pension scheme;
 - a member of the pension board of a public service pension scheme;
 - a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
 - the employer in relation to an occupational pension scheme;
 - a professional adviser in relation to such a scheme; and
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
 - (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 **Application to the Shropshire County Pension Fund**

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Shropshire County Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

3 **The Shropshire County Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Shropshire County Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents

- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx>
 In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Finance Governance & Assurance (s151 Officer) and Monitoring Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 **Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Finance Governance & Assurance, the Monitoring Officer, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 **Determining whether the breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

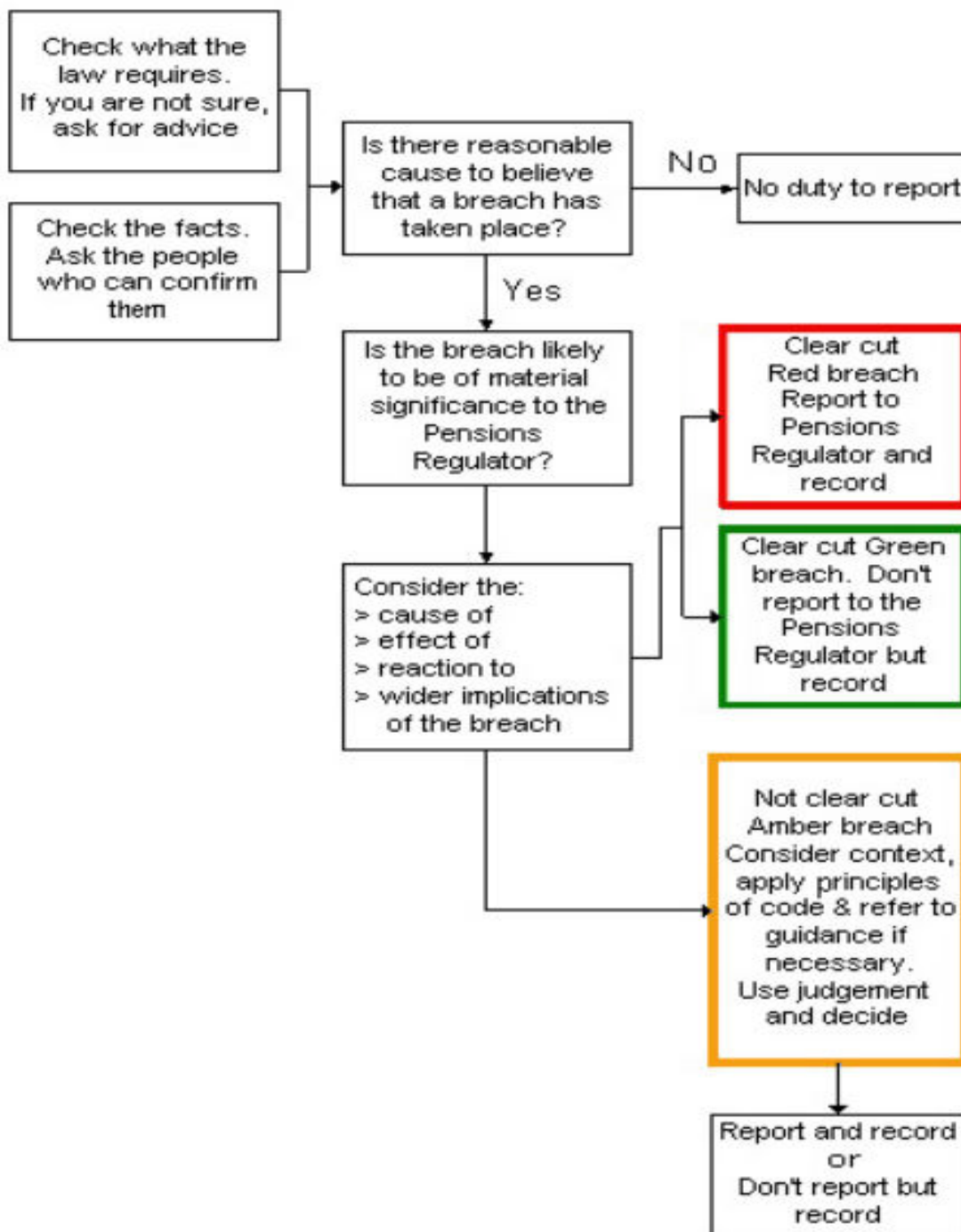
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

- ### 3.4
- A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



- 3.5 **Referral to a level of seniority for a decision to be made on whether to report**
 Shropshire Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment

of contributions or pension benefits, the matter should be highlighted to the Head of Finance Governance & Assurance or the Head of Treasury & Pensions at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Head of Finance Governance & Assurance or Monitoring Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7. Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Shropshire Council will

maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Head of Finance Governance & Assurance. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Shropshire County Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Shropshire Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (**PSR – ????);** and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach

themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 **Reporting to Pensions Committee and Pension Board**

A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**

This Reporting Breaches Procedure was originally developed in August 2015. It will be kept under review and updated as considered appropriate by the Head of Finance Governance & Assurance. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Justin Bridges – Head of Treasury & Pensions

Email: justin.bridges@shropshire.gov.uk

Telephone: 01743 252072

Debbie Sharp – Pension Administration Manager

Email: debbie.sharp@shropshire.gov.uk

Telephone: 01743 252192

Shropshire County Pension Fund, Shropshire Council, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Designated officer contact details:

1) Head of Finance Governance & Assurance – James Walton

Email: james.walton@shropshire.gov.uk

Telephone: 01743 255011

2) Monitoring Officer – Claire Porter
Email: claire.porter@shropshire.gov.uk
Telephone: 01743 252763

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

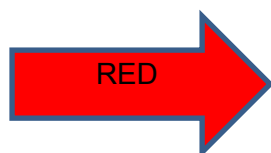
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)



<u>Committee and date</u> Pensions Board 5 February 2016 10.00am	<u>Item</u> <u>Public</u>
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Communicating and Safeguarding of 'hard to reach groups'

Responsible Officer Rebecca Purfit

Email: rebecca.purfit@shropshire.gov.uk

Tel: 01743 254457

1. Summary

This report provides information on the processes in place to communicate and safeguard 'hard to reach' groups. It is important to mention that it is not necessarily the role of the Fund to introduce additional controls to protect vulnerable pensioners. However, the Fund does have a number of robust safeguards in place to avoid/detect any potential fraudulent activity towards members.

2. Recommendations

Members are asked to accept the position as set out in the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

None

4. Communications Policy

4.1 The Fund has a Communication Policy which sets out how it intends to engage with members and other stakeholders. The current policy was agreed by Pensions Committee in June 2015 and is regularly reviewed. The current document is on the Pension Fund Web site:

<https://shropshirecountypensionfund.co.uk/wp-content/uploads//2015/07/Communication-Policy-Statement-June-2015.pdf>

4.2 The Fund provides information to members on fraud or financial misuse. These subjects have been included in member newsletters and as part of presentations at the Retired Member and Annual Meetings. The Fund's bi-annual newsletter to Retired Members is called 'InTouch' and is issued to home addresses in the spring and autumn. The articles included in the magazine are picked to ensure the latest scheme news is provided along with other relevant topics. In recent years, the following topics have been covered; Freedom and Choice, National Fraud Initiative, Card Fraud Awareness and Pension Fraud. All editions of InTouch are available for members to read on the pension Fund's website.

4.3 From 1 June 2013, the Fund has only sent retired members a paper payslip when the net pay either increases or decreases by £5 or more from the previous month. This made a substantial saving in printing, postage and paper costs but still provided a payslip to alert the member if their net pay had changed.

5. Change of personal details

5.1 A number of processes are in place to deal with a request to change a member's personal details held by the Fund. Personal details include bank details, address details, marital status and the member's beneficiaries. Any requests to change personal details via a phone call are refused. The Fund only accepts changes signed by the member. This document is then recorded on their individual record. The Fund will also decline any request to pay a retired members pension into a bank account which is not held in the member's name.

6. Dealing with 3rd party enquiries

6.1 The Fund has a clear process to manage 3rd party enquiries on behalf of members. No personal information is provided over the phone and the Fund will only action a request from a 3rd party, such as a divorce or transfer request, after receiving written consent from the member. When written consent has been provided the Fund will only send pension information to the member's home address and not directly to the 3rd party i.e. a financial advisor. Statutory paperwork is used and has to be completed satisfactorily prior to the transfer out of benefits. When the Fund is informed of a lasting (pre 2007 enduring) power of attorney only original copies will be accepted.

7. Transfers Out and Pensions Liberation

7.1 When a member leaves the Scheme they can request a transfer out of benefits. Pension liberation fraud can occur if a member is targeted by certain companies to transfer benefits to an unregulated scheme before the age of 55.

7.2 A process is in place to mitigate the risk to members who make a request to transfer to the type of scheme where pension liberation can occur. Transfer requests to a Defined Contribution Scheme which offers flexible benefits can only be made when the appropriate form is completed. See **Appendix A and B** for examples of the forms. The request forms provide the member with pensions scam information: <https://shropshirecountypensionfund.co.uk/left-but-no-benefits-paid/about-your-pension/when-is-a-deferred-pension-paid/pensions-liberation/>, and the Fund has a clear escalation process of how to deal with suspected pension scams in relation to pension liberation. Pension's staff follow the Pensions Regulator's Action pack for trustees and administrators, which contains a checklist to complete to indicate when a scam could be occurring.

8. Pension Team Training

8.1 Pensions Staff undertake Counter-fraud, bribery and anti-corruption training. This is part of induction training for new staff. Annually the Pensions Team undertake the Handling Personal or Sensitive Information training. All pensions' staff handle personal information on a daily basis and the e-learning module provides examples of situations of how to take responsibility for using information safely. The learning is split into two levels with level 1 designed for all staff handling personal information and level 2 designed for those who have specific responsibility for handling information. The Fund receives a regular audit of its administration service and as part of this checks are made to ensure that all staff have completed the required training.

9. National Fraud Initiative

9.1 The Fund participates in the National Fraud Initiative. This initiative requires that payroll and pensions data be made available for bodies responsible for auditing and administering public funds. Being part of the National Fraud Initiative means that the Fund shares information with other public bodies, such as the Department for Work and Pensions, in order to prevent and detect fraud. All data sharing is dealt with in line with the Data Protection Act 1998 and the Code of Data Matching Practice 2008.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

05/02/2016 Item 10 Issues relating to Scamming
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Cabinet Member (Portfolio Holder)
--

NA

Local Member

NA

Appendices

Appendix A – CETV Request Form (Active)

Appendix B – CETV Request Form (Deferred)

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Committee and date

Pensions Board

5 February 2016

10.00am

Item

Public

TRAINING REQUIREMENTS

Responsible Officer Rebecca Purfit

Email: rebecca.purfit@shropshire.gov.uk

Tel: 01743 254457

1. Summary

The report provides Pension Board members with an update on the training requirements in relation to training and the work/training undertaken since the last meeting. A draft training Policy and a plan are included for comment.

2. Recommendations

- Pension Board Members are asked to provide comment on **Appendix A** and raise any incorrect information recorded.
- Pension Board Members are asked to note and provide any comments on the draft Training Policy, **Appendix B**.
- That each Pension Board Member completes the competency self-assessment matrix found in, **Appendix D** to identify knowledge gaps.
- Pension Board Members to consider the Pensions Regulators Survey results when looking at a work plan. A summary of results can be found in, **Appendix E** and a full report in, **Appendix F**.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

The Pensions Regulator Code should be adhered to which may incur costs. Any financial implications regarding the cost of training for the

Pensions Board, Committee and Staff Members will be managed to a minimum and will be met by Shropshire County Pension Fund.

4. The Pensions Regulator (TPR) eLearning programme

- 4.1 At the last meeting Pension Board Members were asked to complete all seven modules of the Pension Regulators' eLearning programme by the first week in January 2016. This was successfully achieved with all four Pension Board Members passing each of the seven modules within the 'public service tool kit' by the date specified. A copy of each Pension Board Members' development record has been recorded on file. All Officers within the Pension and Treasury Teams have been asked to complete the same seven modules by the 31 March 2016.

5. Training Undertaken

- 5.1 All four members of the Pension Board have attended some training or meetings run by the Fund since the Board was set up on the 1 April 2015. The training undertaken so far for each individual member can be found in the Training Summary, **Appendix A**. The purpose of the Training Summary is to record the training attended by each Pension Board Member. A similar training matrix is being developed for officers.

6. Training Policy

- 6.1 Pension Board Members are asked to note and provide any comments on the draft Training Policy, **Appendix B**. The draft policy will be taken to Pensions Committee on 18 March 2016 for full approval. The policy has been established with the aim of ensuring that the Shropshire County Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. For the Pensions Board Members, their responsibilities are a statutory requirement set out in the Public Service Pensions Act 2013. An extract of regulation 5 Pension board is below:

6.2 **Regulation 5. Pension board**

(1) Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.

(2) Those matters are—

(a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;

(b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;

(c) such other matters as the scheme regulations may specify.

- 6.3** The Public Service Pensions Act 2013 can be read in full here: <http://www.legislation.gov.uk/ukpga/2013/25/section/5>
- 6.4** To help meet this statutory requirement the Pensions Regulator's Code of Practice 14: Governance and administration of public service pension schemes states in paragraphs 34-36 that: *A member of the Pensions Board of a public sector pension scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme and must also have a knowledge and understanding of the law relating.*
- 6.5** The Training Policy sets out the tools to be used by the Fund to meet its training responsibilities. Reference within the Training Policy is made to the Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework. For reference the full document can be found in, **Appendix C**.
- 6.6** CIPFA identifies eight core areas of technical knowledge and skills for those working in public sector pension's finance. They are:
- Pensions Legislation
 - Public Sector Pensions Governance
 - Pensions Administration
 - Pensions Accounting and Auditing Standards
 - Financial services procurement and relationship management
 - Investment performance and risk management
 - Financial Markets and Product Knowledge
 - Actuarial methods, Standards and Practices
- 6.7** The Funds Training Policy has a knowledge matrix based on the eight core areas shown above. The matrix identifies the level of knowledge required for Officers, Pension Committee Members and Pension Board Members and will assist the Fund when organising the training required. To achieve the objectives set out in the Training Policy, a training needs assessment, measured against the framework standards, is required. The assessment will enable the Fund to understand the training required and create a learning programme based on the priority areas. It is suggested that each Pension Board Member completes the competency self-assessment matrix found in, **Appendix D**.

7. Future work plan

- 7.1** Between July and September 2015, the Pensions Regulator conducted a survey of all public service schemes to baseline the standard to which they are being run. In December 2015, the results from the survey were published and the summary of the findings can be found in, **Appendix E** and the full report in, **Appendix F**. From the summary of results it is implied that in the next year the TPRs focus will be

addressing three areas it judges to be of greatest risk. These are; internal controls, scheme record keeping and the provision of accurate communication. Pension Board Members may wish to consider these areas within its future work plan.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Training Summary

Appendix B – Training Policy

Appendix C – CIPFA Knowledge and Skills

Appendix D – Competency Self-Assessment Matrix

Appendix E – Summary of survey results

Appendix F – Survey full report

PENSION BOARD MEMBER TRAINING SUMMARY 2015/16

		PENSION BOARD MEMBERS				
Training/Meeting	Provider	Date	Mike Morris	Pat Hockley	Liz Furey	Stuart Wheeler
Training for Local Pension Board Members	Local Government Association	28/05/2015	✓	✓	✓	✓
Pension Board Member Training Day 1 - LGPS Governance/Legal	AON Hewitt	01/07/2015	x	x	x	✓
Pension Board Member Training Day 2 - Funding/Actuarial	AON Hewitt	01/07/2015	✓	✓	x	✓
Pension Board Member Training Day 3 - Investments	AON Hewitt	01/07/2015	✓	x	x	✓
Pension Board Meeting	Organised In-house	27/07/2015	✓	✓	✓	✓
Members Training Day 2015	Organised In-house	29/07/2015	x	✓	✓	✓
Employers Meeting October 2015	Organised In-house	20/10/2015	x	✓	x	✓
Trustee Training Fundamentals XIV and Annual Trustees' Conference Day 1	Local Government Association	15/10/2015	✓	✓	x	x
Trustee Training Fundamentals XIV and Annual Trustees' Conference Day 2	Local Government Association	10/11/2015	✓	✓	x	x
Trustee Training Fundamentals XIV and Annual Trustees' Conference Day 3	Local Government Association	15/11/2015	x	x	x	x
Annual Meeting 2015	Organised In-house	12/11/2015	x	✓	x	✓
eLearning programme - public sector tool kit	The Pensions Regulator	01/01/2016	✓	✓	✓	✓

Key

- ✓ Attended training
- x Apologies received

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SHROPSHIRE COUNTY
PENSION FUND

Shropshire County Pension Fund **Training Policy**



Issue Date - xxxxxxxx
Review Date - xxxxxxxx

Version 1.0

Introduction

This is the Training Policy of the Shropshire County Pension Fund, which is managed and administered by Shropshire Council. The Training Policy is established to aid all to whom this Policy applies in having the sufficient knowledge and understanding ensuring that all decisions, actions and other activities are carried out in an informed and appropriate way. This means that advice and guidance from external bodies can be challenged and tested appropriately and that the Funds operational and strategic direction is in accordance with best practice and guidance. The Training Policy has the ultimate aim of ensuring that the Shropshire County Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and objectives

Shropshire Council recognises the importance of its role as Administering Authority to the Shropshire County Pension Fund on behalf of its stakeholders which include:

- Over 40,000 current and former members of the Fund
- Over 140 employers

In relation to training, the Administering Authority's objectives are to ensure that:

- Those persons charged with the financial management and decision-making with regard to the LGPS Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund are appropriately equipped with the knowledge and skills required to discharge their duties and responsibilities in relation to the Fund;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based, and to manage any potential conflicts of interest

All to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the Fund will aim to comply with:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills frameworks;
- Section 248a of the Pensions Act 2004 (as amended by the knowledge and skills requirements of the Public Service Pensions Act 2013);
- The Pensions Regulator's (TPR) Code of Practice No 14, Governance and Administration of Public Service Pension Schemes 2015

By adhering to a Training Policy the Fund will be able to demonstrate a high level of governance and standards, and report against peer group Funds in the Scheme Advisory Board KPI program.

To whom this Policy applies

This Training Policy applies to all individuals that take on a decision making, scrutiny or oversight role in the Fund. This includes:

- Officers of the administering authority involved in the management and administration of the Fund

- Members of the Pension Fund committee, including scheme member and employer representatives
- Members of the pension board, including scheme member and employer representatives.

CIPFA knowledge and skills framework

The CIPFA knowledge and skills framework identifies eight areas of knowledge and skills as the core technical requirements for those working in public sector pensions finance. They are:

- Pensions legislation
- Public sector pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standards and practices

James Walton (Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator) at Shropshire Council is the Fund's designated named individual responsible for ensuring that this Training Policy is implemented. This is in line with principle five of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge.

Shropshire County Pension Fund Training Plan

The Fund recognises the importance of training in ensuring pension fund committee members, pension board members and officers attain, and then maintain, the relevant knowledge and skills.

The Funds approach to training will be supportive with the intention of providing pension fund committee members, pension board members and officers with regular sessions that will contribute to their level of skills and knowledge. The Fund will develop a rolling Training Plan, which takes account of the following:

Individual training needs

A training needs analysis will be developed for committee members, pension board members and officers to identify the key areas in which training is required. This evaluation will be undertaken on an annual basis. Training on the identified areas will be provided as necessary and on an ongoing refresher basis.

Topic based training

The need for appropriately timed training in relation to current topics, such as when decisions are required in relation to complex issues or in new areas not previously considered will be provided as required.

General awareness

There is an expectation on those to which this policy applies that they should maintain a reasonable knowledge of ongoing developments and current issues, and have a good level of general awareness of pension related matters appropriate for their roles.

How training will be provided

Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers;
- shared training with other LGPS Funds or framework arrangements
- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers;
- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA), previously NAPF.
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including Fund committee reports and minutes from attendance at seminars and conferences;
- attendance at meetings and events with the Fund's investment managers and advisors
- links to on-line training such as that provided by the TPR;
- the Funds website www.shropshirecountypensionfund.co.uk and national LGPS websites where Scheme information is available.
- fund policies and documents such as the Annual Report and the Governance Compliance Statement

Induction process

An evaluation will be undertaken in the form of a short self-assessment questionnaire to develop an appropriate individual training plan.

Monitoring knowledge and skills

In order to identify whether the objectives of this policy are being met, the fund will maintain a training log which records attendance at training and compare this to the Training Plan.

Key risks

The key risks to the delivery of this Policy are outlined below. The pension fund committee members, with the assistance of the Pension Board and Officers, will monitor these and other key risks and consider how to respond to them.

- Changes to the committee and/or pension board membership and/or officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by committee members, pension board members and/or other officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.

Success measures

Knowledge gaps will be identified in annual assessment with success measured against the previous year and whether the knowledge gap has been fulfilled. A training log which records attendance at training throughout the year will also be kept.

Reporting

A report will be presented to the committee and the pension board on an annual basis setting out:

- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the Training Plan; and
- any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts. The Funds committee members and pension board members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs

Where there is a cost involved in providing the training this will be met directly by the Fund. However, Investment Managers and some of the training events are provided at no cost.

Degree of knowledge and understanding required

To ensure all individuals to whom this policy applies work towards what is required a knowledge matrix has been developed, shown below. The matrix determines the level of knowledge required of the eight core technical areas highlighted by the CIPFA guidance for officers, committee and the pension board. The core areas listed below have been identified as the key skills that lie at the core in the training for those involved in public sector pension's finance. The knowledge matrix is not exhaustive and other technical or non-pensions related skills will be identified on an individual basis within job descriptions or via annual assessment.

Knowledge Matrix

Core technical area	Officers (Job description)	Pensions Committee	Pension Board
Pensions Legislation LGPS Regulations	C	BK	BK C*
Public Sector Pensions Governance	C	BK	C*
Pensions Administration	E	BK	C*
Pensions Accounting and Auditing Standards	E	C	C
Financial services procurement and relationship management	E	C	BK
Investment performance and risk management	E	C	BK
Financial Markets and Product Knowledge	C	C	BK
Actuarial methods, Standards and Practices	C	C	BK

BK = Basic knowledge

C = Conversant (i.e. working knowledge)

E = Expert

*Statutory requirement (Paragraphs 34-36 of the Pensions Regulator's Code of Practice state that: *A member of the Pensions Board of a public sector pension*

scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme and must also have a knowledge and understanding of the law relating)

Further information

For further information about anything in or related to in this policy please contact: Rebecca Purfit, Communications Officer, Pension Services, Shropshire County Pension Fund, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Telephone: 01743 254457 Email: rebecca.purfit@shropshire.gov.uk

DRAFT

local pension boards

A Technical Knowledge and Skills
Framework



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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local pension boards

A Technical Knowledge and Skills
Framework

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Acknowledgements

This framework has been developed by Nigel Keogh (CIPFA Pensions Technical Manager) with guidance, direction and support from the CIPFA Pensions Panel.

The current members of the Pensions Panel are:

Bob Summers (Chairman) – Independent Consultant

Paul Dale – London Borough of Merton

Geoff Dobson – Suffolk County Council

Geik Drever – West Midlands Pension Fund

Jeff Houston – Local Government Employers Pensions Committee

John Hattersley – South Yorkshire Pensions Authority

Nicola Mark – Norfolk Pension Fund

Susan Martin – London Pensions Fund Authority

Paul Mayers – National Audit Office

Richard McIndoe – Glasgow Council

Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

The Panel would like to thank Annemarie Allen at Barnett Waddingham for her contributions to the guidance.

The Panel would also like to acknowledge the role of the publication's sponsor, Barnett Waddingham, in helping to ensure that this key piece of guidance is available across the Local Government Pension Scheme.

Contents

ACKNOWLEDGEMENTS	iii
1. PURPOSE, SCOPE AND STATUS OF THIS GUIDANCE	1
PURPOSE.....	1
SCOPE.....	2
STATUS.....	3
2. POLICY AND LEGISLATIVE BACKGROUND	5
3. KEY SKILLS	7
SCOPE OF THE FRAMEWORK.....	7
PENSIONS LEGISLATION	7
PUBLIC SECTOR PENSIONS GOVERNANCE.....	8
PENSIONS ADMINISTRATION.....	8
PENSIONS ACCOUNTING AND AUDITING STANDARDS.....	8
PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT.....	9
INVESTMENT PERFORMANCE AND RISK MANAGEMENT.....	9
FINANCIAL MARKETS AND PRODUCT KNOWLEDGE.....	9
ACTUARIAL METHODS, STANDARDS AND PRACTICES.....	9
THE KNOWLEDGE AND SKILLS FRAMEWORK.....	10
4. LOCAL PENSION BOARDS: A TECHNICAL KNOWLEDGE AND SKILLS FRAMEWORK	11
5. FRAMEWORK STATUS, REPORTING AND COMPLIANCE	15
DEVELOPMENT AND MAINTENANCE	15
REPORTING AND COMPLIANCE.....	15
6. ACHIEVING FRAMEWORK STANDARDS – TRAINING AND SUPPORT	17
7. FURTHER READING AND SOURCES OF GUIDANCE	19
FROM CIPFA.....	19
OTHER SOURCES	20
OTHER TRAINING AND SUPPORT	20
ANNEX A – KNOWLEDGE AND SKILLS RESPONSIBILITIES UNDER THE PENSIONS REGULATOR CODE OF PRACTICE NO 14	21
ANNEX B – SUGGESTED JOB DESCRIPTION AND ROLE PROFILE FOR THE CHAIR OF A PENSIONS BOARD	25
ANNEX C – LGPS GOVERNANCE REGULATIONS 2014	27
ANNEX D – EXAMPLE OF COMPETENCY SELF-ASSESSMENT MATRIX	31

1. Purpose, Scope and Status of this Guidance

PURPOSE

- 1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.
- 1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.
- 1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*¹, as amended by the *Public Service Pensions Act 2013*.

1. Section 248a of the *Pensions Act 2004* sets out the following:

Requirement for knowledge and understanding: pension boards of public service pension schemes

- (1) *This section applies to every individual who is a member of the pension board of a public service pension scheme.*
- (2) *An individual to whom this section applies must be conversant with—*
 - (a) *the rules of the scheme, and*
 - (b) *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*
- (3) *An individual to whom this section applies must have knowledge and understanding of—*
 - (a) *the law relating to pensions, and*
 - (b) *such other matters as may be prescribed.*
- (4) *The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.*

- 1.4 This guidance is intended to complement the Pensions Regulator's *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)². The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing³. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator's *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

SCOPE

- 1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

2. www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf

3. The Pensions Regulator's *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

'For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents'*

- 1.6 The framework is intended to have two primary uses:
- as a tool for scheme managers in meeting the Pensions Regulator’s *Code of Practice No 14* which states that scheme managers should ‘*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*’
 - as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.
- 1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.
- 1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

STATUS

- 1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.
- 1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:
1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
 3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
 4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
 5. The organisation has designated a named individual⁴ to be responsible for ensuring that policies are implemented.
- 1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that ‘*this Code of Practice applies to all individuals that take on a*

4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'

- 1.12** It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator's *Code of Practice No 14* as set out in paragraph 38 of that Code⁵.
- 1.13** This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA's *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5. Paragraph 38 of the Pensions Regulator's *Code of Practice No 14* states:
'Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that the framework is developed and implemented.'

2. Policy and Legislative Background

- 2.1** On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.
- 2.2** These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011⁶.
- 2.3** In the final report, the Commission concluded that (page 126):
- ‘scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the “lay persons” there are also independent members, usually professionally trained and with experience of the pensions environment.’*
- 2.4** The Commission went on to make the following recommendation:
- ‘Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).’*
- 2.5** The Commission’s recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).
- 2.6** Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority⁷ for each public service pension scheme established under the 2013 Act is required to make

6. www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

7. The “responsible authority” for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as ‘the person who may make scheme regulations.’ For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager⁸ to establish a pension board to assist the scheme manager in relation to the following:

- (a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;*
- (b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;*
- (c) such other matters as the scheme regulations may specify.'*

2.7 Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

- (i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and*
- (ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;*
- (iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;*
- (iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.'*

2.8 As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS⁹. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended) are reproduced in full at Annex C for ease of reference.

2.9 A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Subcommittee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at www.lgpsboard.org/index.php/about-the-board/board-guidance

8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the “scheme manager” for their fund.

9. *The Local Government Pension Scheme (Amendment (Governance) Regulations 2015*.

3. Key Skills

- 3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

SCOPE OF THE FRAMEWORK

- 3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

- 3.3 The Institute recognises that there will of course be other technical (non-pensions related) and “softer” skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the “capacity” to undertake the role. Whilst the Regulations do not define “capacity” in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have ‘*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate).*’ The “soft” skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

PENSIONS LEGISLATION

- 3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

- 3.5 A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

PUBLIC SECTOR PENSIONS GOVERNANCE

- 3.6 On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.
- 3.7 Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.
- 3.8 Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

PENSIONS ADMINISTRATION

- 3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.
- 3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

PENSIONS ACCOUNTING AND AUDITING STANDARDS

- 3.11 The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.
- 3.12 In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

- 3.13** Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.
- 3.14** In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

- 3.15** In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.
- 3.16** Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped with a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

- 3.17** In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

- 3.18** The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

THE KNOWLEDGE AND SKILLS FRAMEWORK

3.19 In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

4. Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation

A general understanding of the pensions legislative framework in the UK.

An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.

An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.

A regularly updated appreciation of the latest changes to the scheme rules.

Pensions governance

Knowledge of the role of the administering authority in relation to the LGPS.

An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.

A detailed knowledge of the duties and responsibilities of pension board members.

Knowledge of the stakeholders of the pension fund and the nature of their interests.

Knowledge of consultation, communication and involvement options relevant to the stakeholders.

Knowledge of how pension fund management risk is monitored and managed.

Understanding of how conflicts of interest are identified and managed.

Understanding of how breaches in law are reported.

Pensions administration	<p>An understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communications and materials. <p>Knowledge of how discretionary powers operate.</p> <p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p> <p>An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider’s investment and fund performance report and the payment schedule for such arrangements.</p>
Pensions accounting and auditing standards	<p>Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p> <p>Understanding of the role of both internal and external audit in the governance and assurance process.</p> <p>An understanding of the role played by third party assurance providers.</p>
Pensions services procurement and relationship management	<p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p> <p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>
Investment performance and risk management	<p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>

Financial markets and products knowledge	<p>Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property).</p> <p>Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An understanding of the limits placed by regulation on the investment activities of local government pension funds.</p> <p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
Actuarial methods, standards and practices	<p>A general understanding of the role of the fund actuary.</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.</p> <p>A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.</p>

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

- 5.1** This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.
- 5.2** As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator’s *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.
- 5.3** The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

REPORTING AND COMPLIANCE

- 5.4** Statement 5 of the “statements to be adopted” in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:
- how the knowledge and skills framework has been applied
 - what assessment of training needs has been undertaken
 - what training has been delivered against the identified training needs.

- 5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator’s *Code of Practice No 14*¹⁰ and have in place a plan that includes pre-induction training, leading into a fuller induction programme. These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.
- 5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:
- ‘Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.’*
- 5.7 The Pension Regulator’s policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes* (2015)¹¹.
- Practitioners should familiarise themselves with this policy statement.

10. Paragraphs 34 to 36 of the Pensions Regulator’s Code of Practice 14 state that:

‘A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.’

11. www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf

6. Achieving Framework Standards – Training and Support

- 6.1** To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.
- 6.2** The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.
- 6.3** CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:
- **Assessment and planning**
 - Individual local pension board member knowledge, understanding and skills assessment.
 - Training plan/programme development.
 - **Training**
 - Pre-appointment and induction training.
 - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
 - Ongoing and subject specific training such as regulatory changes and triennial valuations.
 - Annual refresher training and updates.
 - Member requested training.
 - Bespoke and open courses aimed at retention of knowledge and development of best practice.
 - **Support and mentoring**
 - Ongoing local pension board member mentoring, coaching and support.
 - BWebstream document access and storage system.
 - Training and support materials.
 - **Monitoring and reporting**
 - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via annemarie.allen@barnett-waddingham.co.uk or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2014)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)

Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2012)

Managing Risk in the Local Government Pension Scheme (2012)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 (2012)

Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration (2011)

CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds (2011)

CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom (2011)

Narrative Reporting in Public Sector Pension Schemes (2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations (2008)

CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds (2007)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006)

OTHER SOURCES

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (The Pensions Regulator, 2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales (Shadow Scheme Advisory Board, 2015)

OTHER TRAINING AND SUPPORT

The CIPFA Pensions Network provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online “Public Service toolkit” available at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Legal requirements		
Must be conversant with:		Statutory
<ul style="list-style-type: none"> ■ the rules of the scheme ■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme. 		
Must have knowledge and understanding of:		Statutory
<ul style="list-style-type: none"> ■ the law relating to pensions ■ any other matters which are prescribed in regulations. 		
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14? Nature of requirement

Pension board member	Scheme manager	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)

Areas of knowledge and understanding required

	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
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Degree of knowledge and understanding required

	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)

Acquiring, reviewing and updating knowledge and understanding

Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	Scheme manager	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should: <ul style="list-style-type: none"> ■ cover the type and degree of knowledge and understanding required ■ reflect the legal requirements ■ be delivered within an appropriate timescale. 	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

PURPOSE OF ROLE

To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

PRINCIPAL RESPONSIBILITIES

- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

PERSON SPECIFICATION

Requirement	Essential	Desirable
1. Educational		<p>Appropriate financial experience and training.</p> <p>Knowledge of pension funds and schemes.</p> <p>Demonstrable evidence of knowledge kept up-to-date.</p>
2. Work experience	<p>Chairing meetings, achieving effective outcomes.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a board or similar.</p>
3. Abilities, intelligence and special aptitudes	<p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p>	<p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p>
4. Adjustment and social skills	<p>Able to establish good working relationships with board members, councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Able to achieve consensus when conflicting views arise.</p> <p>Able to challenge in a constructive manner.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	<p>Diplomacy and tact.</p>
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the objectives of the pension scheme and fund(s).</p>	
6. Equal opportunities	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

Annex C – LGPS Governance Regulations 2014

PART 3

Governance

Delegation

- 105.**—(1) *The Secretary of State may delegate any function under these Regulations.*
- (2) *An administering authority may delegate any function under these Regulations including this power to delegate.*

Local pension boards: establishment

106.—(1) *Each administering authority shall no later than 1st April 2015 establish a pension board (“a local pension board”) responsible for assisting it—*

- (a) *to secure compliance with—*
- (i) *these Regulations,*
 - (ii) *any other legislation relating to the governance and administration of the Scheme and any connected scheme^(a), and*
 - (iii) *any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- (b) *to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*
- (2) *Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.*
- (3) *Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.*
- (4) *Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.*
- (5) *The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.*

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

- (6) *Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.*
- (7) *Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative^(b).*
- (8) *A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.*
- (9) *The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.*

Local pension boards: membership

- 107.**—(1) *Subject to this regulation each administering authority shall determine—*
- (a) *the membership of the local pension board;*
 - (b) *the manner in which members of the local pension board may be appointed and removed;*
 - (c) *the terms of appointment of members of the local pension board.*
- (2) *An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and*
 - (b) *a person to be appointed to the local pension board as a member representative has the capacity to represent members.*
- (3) *Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—*
- (a) *no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and*
 - (b) *any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.*
- (4) *Where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—*
- (a) *a person to be designated as an employer representative has the capacity to represent employers; and*

(b) See section 5(6) of the Public Service Pension Act 2017 for definitions of these terms.

- (b) *a person to be designated as a member representative has the capacity to represent members.*

Local pension boards: conflict of interest

- 108.**—(1) *Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest^(a).*
- (2) *An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.*
- (3) *A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).*
- (4) *A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).*

Local pension boards: guidance

- 109.** *An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

(a) *See section 5(5) of the Public Service Pensions Act 2013 for the meaning of “conflict of interest”.*

Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		
Do I possess...?	Rate my skills 1 – no knowledge 5 – highly skilled	Training requirements and plan Training requirements Training plan (sources and timing)
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5	
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5	
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5	
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5	
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5	
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5	
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5	
An understanding of how breaches in law are reported.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
<p>1 – no knowledge</p> <p>5 – highly skilled</p>		
<p>3 – Pensions administration</p>		
<p>An understanding of best practice in pensions administration eg performance and cost measures.</p>	<p>1 2 3 4 5</p>	
<p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communication and materials. 	<p>1 2 3 4 5</p>	
<p>Knowledge of how discretionary powers operate.</p>	<p>1 2 3 4 5</p>	
<p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p>	<p>1 2 3 4 5</p>	
<p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
<p>An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>	<p>1 – no knowledge 5 – highly skilled</p> <p>1 2 3 4 5</p>	<p>1 2 3 4 5</p>
4 – Pensions accounting and auditing standards		
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role of both internal and external audit in the governance and assurance process.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role played by third party assurance providers.</p>	<p>1 2 3 4 5</p>	
5 – Pensions services procurement and relationship management		
<p>An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training plan (sources and timing)
<p>1 – no knowledge 5 – highly skilled</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of how the pension fund monitors and manages the performance of their outsourced providers.</p>	<p>1 2 3 4 5</p>	
3 – Investment performance and risk management		
<p>An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p>	<p>1 2 3 4 5</p>	
<p>An awareness of the Myners principles of performance management and the approach adopted by the administering authority.</p>	<p>1 2 3 4 5</p>	
<p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
	1 – no knowledge 5 – highly skilled	Training plan (sources and timing)
7 – Financial markets and products knowledge		
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5	
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5	
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5	
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5	
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements Training plan (sources and timing)
8 – Actuarial methods, standards and practices	1 – no knowledge 5 – highly skilled	
A general understanding of the role of the fund actuary.	1 2 3 4 5	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	



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Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
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1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements	Training plan (sources and timing)
	1 – no knowledge 5 – highly skilled		
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
<p>1 – no knowledge</p> <p>5 – highly skilled</p>		
<p>3 – Pensions administration</p>		
<p>An understanding of best practice in pensions administration eg performance and cost measures.</p>	<p>1 2 3 4 5</p>	
<p>Understanding of the required and adopted scheme policies and procedures relating to:</p> <ul style="list-style-type: none"> ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communication and materials. 	<p>1 2 3 4 5</p>	
<p>Knowledge of how discretionary powers operate.</p>	<p>1 2 3 4 5</p>	
<p>Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).</p>	<p>1 2 3 4 5</p>	
<p>An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements and plan
<p>An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.</p>	<p>1 – no knowledge 5 – highly skilled</p> <p>1 2 3 4 5</p>	<p>1 2 3 4 5</p>
4 – Pensions accounting and auditing standards		
<p>An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role of both internal and external audit in the governance and assurance process.</p>	<p>1 2 3 4 5</p>	
<p>An understanding of the role played by third party assurance providers.</p>	<p>1 2 3 4 5</p>	
5 – Pensions services procurement and relationship management		
<p>An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.</p>	<p>1 2 3 4 5</p>	

Learning needs analysis	Training requirements and plan
Do I possess...?	Training requirements and plan (sources and timing)
Rate my skills	Training requirements
1 – no knowledge 5 – highly skilled	
1 2 3 4 5 A general understanding of the main public procurement requirements of UK and EU legislation.	
1 2 3 4 5 An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	
1 2 3 4 5 An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	
b) – Investment performance and risk management	
1 2 3 4 5 An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	
1 2 3 4 5 An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	
1 2 3 4 5 Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Training requirements	Training plan (sources and timing)
Rate my skills 1 – no knowledge 5 – highly skilled		
7 – Financial markets and products knowledge		
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5	
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5	
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5	
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5	
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5	
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5	

Learning needs analysis	Training requirements and plan	
Do I possess...?	Rate my skills	Training requirements Training plan (sources and timing)
8 – Actuarial methods, standards and practices	1 – no knowledge 5 – highly skilled	
A general understanding of the role of the fund actuary.	1 2 3 4 5	
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5	
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	

Public service governance and administration survey

Summary of results and commentary

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.



Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the in relation to governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.



Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

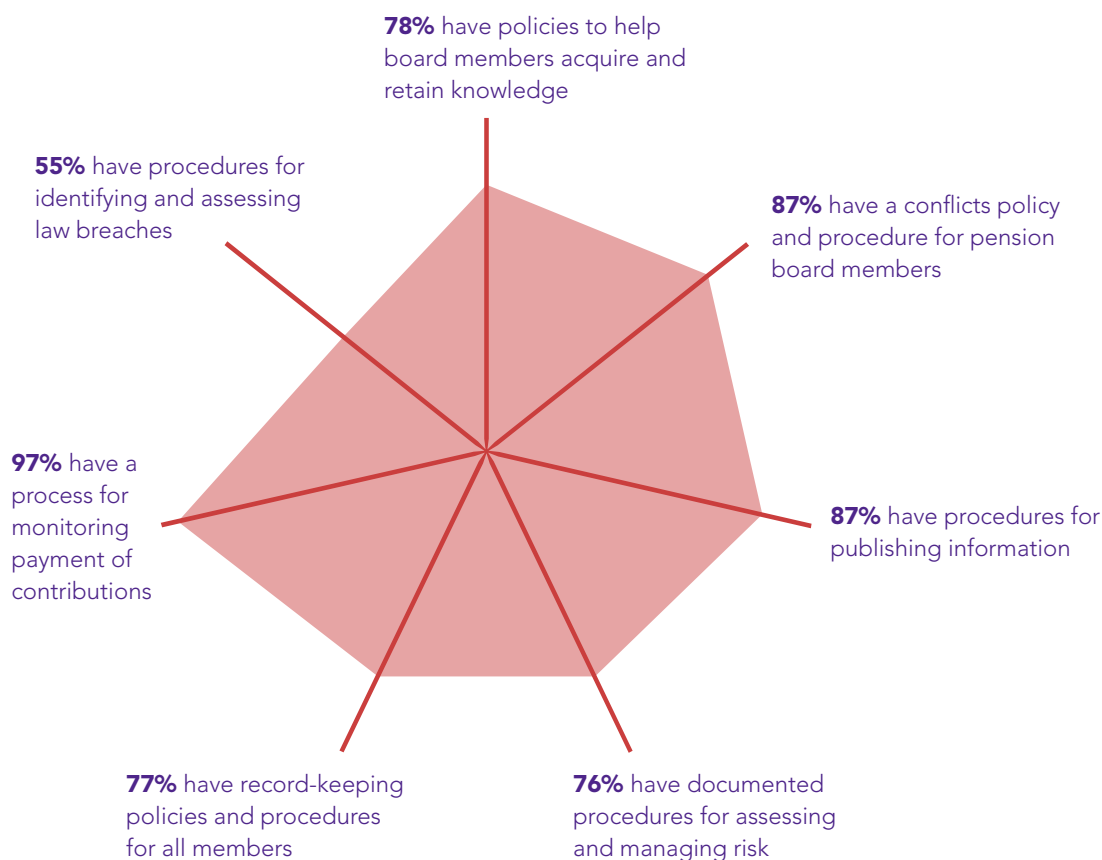
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- ▶ 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- ▶ 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- ▶ 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- ▶ 87% of schemes have a conflicts policy and procedure in place for pension board members.
- ▶ 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- ▶ 76% had documented procedures for assessing and managing risk.
- ▶ 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- ▶ 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

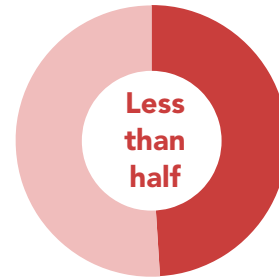
We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.



9/10 have established a pension board



Less than half have reviewed their scheme against the standards



Less than a third

have a plan in place to ensure compliance with the Public Service Pensions Act 2013



- ▶ 44% have measured against the record-keeping requirements
- ▶ just over a quarter have done data cleansing



76% of schemes have procedures in place to manage risk

82% have a risk register

Only **56%** assess their risks at least quarterly

- ▶ While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- ▶ Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- ▶ Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- ▶ Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- ▶ While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.



We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- ▶ fulfilled their requirement to register with us
- ▶ established their pension board
- ▶ published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- ▶ assessed themselves against the requirements set out in legislation
- ▶ assessed themselves against the standards set out in our code
- ▶ identified any gaps
- ▶ begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- ▶ the effectiveness of these processes and actions in driving good outcomes
- ▶ the efficiency and reliability of these processes
- ▶ how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

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Free online learning for those running public service schemes

Public service governance and administration survey

Summary of results and commentary

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The Pensions
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The Pensions Regulator

Public service governance and administration research

December 2015

Contents

1. Executive summary.....	3
2. Introduction.....	5
3. Methodology.....	7
3.1 Sampling.....	7
3.2 Fieldwork.....	7
3.3 Weighting.....	9
3.4 Reporting conventions.....	9
4. Research findings.....	10
4.1 Note on reporting of results.....	10
4.2 Role of respondent who took part in the survey.....	10
4.3 Awareness and understanding of the legal governance and administration requirements and The Pensions Regulator's code of practice.....	10
4.4 Training undertaken by respondents relating to public service pension schemes.....	11
4.5 Pension scheme membership and status of pension board.....	13
4.6 Frequency of pension board meetings.....	14
4.7 Activity undertaken by schemes to ensure compliance with the legal requirements and reviewing the scheme against the code of practice.....	15
4.8 Roles, responsibilities, knowledge and understanding.....	18
4.9 Conflicts of interest.....	22
4.10 Publishing information about pension boards.....	26
4.11 Internal controls.....	27
4.12 External advisers and service providers.....	30
4.13 Scheme record-keeping and data monitoring.....	34
4.14 Maintaining contributions.....	42
4.15 Providing information to members.....	44
4.16 Internal Dispute Resolution.....	46
4.17 Reporting breaches.....	47

Executive summary

1. **The survey was completed on behalf of 48% of public service pension schemes, covering approximately 85% of scheme members.**
2. **There were generally high reported levels of awareness and understanding of both the legal requirements and the regulator's code of practice**

Most respondents in each of the four scheme types¹ gave a response of either four or five out of five for awareness and understanding of these.

3. **Four-fifths of schemes had a pension board that was operational**

92% of schemes reported that their pension board is established, and in most of these cases (80%) also operational (with pension board meetings having commenced). The remainder reported they would be operational within six months.

4. **A quarter of schemes had a plan to ensure compliance with the legal requirements and were already addressing key risks, and two fifths had conducted a review of their scheme against the guidance and standards set out in the regulator's code of practice**

One in six (15%) schemes had conducted an in-depth review against our code of practice, while a further quarter (29%) had undertaken a high-level review.

Over half of Local government and two-thirds of Central schemes had conducted a review of their scheme. Reviews were less prevalent among Police (around a fifth) and Fire and rescue (two out of seven).

A quarter (28%) of schemes had a plan in place to ensure compliance with the legal requirements of the Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 and were already addressing key risks. Schemes were more likely to be at the earlier stage of identifying risks and issues (44%), while a third (34%) were developing or implementing a plan to address key risks and issues.

No Police schemes and very few Fire and rescue schemes were at the stage of addressing key risks.

5. **The vast majority of schemes had ensured that board members understand their roles, responsibilities and duties**

¹ The four scheme types are termed: 'Central', 'Local government', 'Fire and rescue' and 'Police'. 'Central' includes centrally-administered unfunded schemes, excluding any fire and police schemes. This classification has been used to ensure consistency with the 2013 survey. For the purposes of this report, therefore, 'Police' and 'Fire and rescue' schemes which are centrally administered – ie the schemes for Scotland and Northern Ireland) – are included within their respective cohorts and not considered as 'Central' schemes.

Nearly all (93%) of schemes had produced guidance, while 94% reported the scheme manager or another person had ensured board members understand their roles, responsibilities and duties.

All Central schemes and nine in ten Local government and Police schemes stated that they had carried out these two tasks. Fire and rescue schemes were less likely (9 out of 14) to have briefed board members.

6. Four fifths of schemes had developed an approach to help pension board members to acquire and retain knowledge and understanding they require

Over four fifths of Central, Local government and Police schemes had developed a policy and arrangements to help board members to acquire and retain knowledge. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

7. Two thirds of schemes will review their risk management and internal control systems once or twice a year

A quarter (26%) review or will review these arrangements every six months and a further 45% once a year. Most Central schemes reported they would every six months while Local government schemes and Police schemes were most likely to do so once a year. The most common response from Fire and rescue schemes was that they did not know.

8. Two thirds of schemes had a documented service level agreement with their scheme administrator

70% had a service level agreement in place with their scheme administrator, whether in-house or outsourced. The levels were similar among all four scheme types.

9. Two thirds of schemes had measured their scheme's data against the legal requirements, with most of these measuring both data presence and accuracy

Almost half (45%) had measured and a further quarter (24%) had partially measured their data against the legal requirements. Of the 70% who had measured their data, four fifths (82%) had measured both the presence and accuracy of the data.

Around a third of Central, Local government and Fire and rescue schemes had fully measured their data, while around two thirds of Police schemes had done so. When accounting for partial measurement also, this rose to around two thirds of Central, Local government and Police schemes, and half of Fire and rescue schemes.

Almost half (49%) of schemes were either developing or implementing a data cleansing exercise while a third of schemes (36%) were developing or implementing a data improvement plan.

Central schemes and Police schemes were most likely to be implementing a data improvement plan, while Local government schemes and Police schemes were most likely to have carried out a data cleansing exercise.

2. Introduction

In March 2011 the Independent Public Service Pensions Commission: Final Report² identified issues concerning the availability and transparency of information, poor administration and governance of public service pension schemes, implying costs and risks are not properly understood or managed. The report recommended that there needed to be independent oversight of these areas.

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the 2013-2014 Acts) introduced new requirements for the governance and administration of certain public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The 2013-2014 Acts also gave The Pensions Regulator an expanded role to regulate the governance and administration of these public service pension schemes from 1 April 2015. In January 2015, we published our draft code of practice for the governance and administration of public pension service schemes (the PSPS code) which sets out the standards of conduct and practice we expect of those responsible for public service schemes, as well as practical guidance about how to comply with the legal requirements. The code came into force on 1 April 2015.

As part of our new role, we are responsible for 208 public service schemes³ in respect of eight public service workforces, covering over 13 million members .

Following on from our report on the governance and administration of public service pension schemes in 2013, before the requirements from the 2013-2014 Acts came into force, this survey aimed to assess how public service schemes are meeting the new requirements and the standards to which they are being run.

² http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

³ Where a scheme is locally administered we have treated each local administering authority as an individual scheme.

The survey considered 10 areas and reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code:

- Action – Activity undertaken to ensure compliance with the new requirements
- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to members
- Internal dispute resolution
- Reporting breaches of the law

3. Methodology

As with the 2013 survey, a self-completion approach was adopted for this study for the following reasons:

- the large amount of data to collect would have made a telephone interview very long and burdensome for respondents
- it was anticipated that many respondents would need to do some checking/verification in order to answer the questions accurately
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute

In contrast to the 2013 survey, we conducted the research in-house rather than commission it to a third-party research supplier.

The method chosen for data collection was an interactive pdf, which was emailed to named scheme contacts held by us. Respondents were encouraged to identify their scheme, but were allowed to submit responses on an anonymous basis if they wished. Where responses were attributed to a particular scheme, it was shared with our public service regulatory team. They will use this, along with information gathered from other sources, to risk assess schemes for intervention as set out in our [compliance and enforcement policy](#). This was made clear to all respondents in the communications and survey invitations.

One issue with this approach is that respondents were not routed through the questionnaire according to their previous answers, resulting in a small number of questions for whom a very small number of respondents answered in error. These have been identified where they occur in this document.

Survey responses were entered into statistical analysis software package SPSS for data analysis purposes.

3.1 Sampling

As with the 2013 survey, the target audience for this research was the designated scheme contact at each of the 208 public service pension schemes for who we held nominated contact details, although it was expected that they may seek input from colleagues with specialist knowledge related to some aspects of their scheme.

A total of 187 self-completion surveys were sent to scheme contacts, 21 of which were the contact for more than one scheme.

3.2 Fieldwork

The fieldwork period lasted from 22 July 2015 until 4 September 2015.

Prior to the survey being issued, an email was sent to all 187 scheme contacts for which we had details approximately one week before launch.

Several steps were taken to maximise response rates. These are detailed below.

Table 1.2 – Activity undertaken to improve response rate

Date	Action
17/08/15	First email chaser sent to 177 scheme contacts who hadn't yet completed the survey
18/08/15	Email sent to 630 contacts on our Public Service Pension Scheme news-by-email distribution list
26/08/15	Second email reminder sent to 157 scheme contacts
August 2015	Over 300 telephone calls were made to nominated scheme contacts to encourage response
04/09/15	Final email reminder sent to 134 scheme contacts

Table 1.3 shows the responses rate across the four scheme groupings

Table 1.3 – Sample profile and response rates

	Total number of schemes	Completed surveys	Response rate
Fire & Rescue	51	14	37%
Police	45	22	49%
Local Government	101	53	52%
Central	12	12	100%
TOTAL	209	101	48%

Please note: survey responses were received in respect of 103 schemes, of which 101 were usable for survey analysis, and 84 attributable

Overall, the survey was completed on behalf of 48% of Public Service Pension Schemes, covering approximately 85% of scheme members. Responses were received from all the Central schemes (100%). As in 2013, (when the response rate was 53%), this compares favourably to the response rate achieved in other surveys we conducted.

3.3 Weighting

The data shown throughout this report is unweighted.

3.4 Reporting conventions

No comparisons have been made in this report between the findings from the four scheme types (Central, Fire and Rescue, Local government and Police). These scheme types are typically very different in nature and as such it may not be appropriate to make direct comparisons. The same approach was adopted in the 2013 survey report.

4. Research findings

4.1 Note on reporting of results

Owing to the low base sizes for three of the four scheme groupings, all findings are shown throughout this report in absolute numbers, ie they are reported as the number of schemes, not the percentage of schemes.

Owing to the low base sizes, limited comparisons are able to be drawn between the types of scheme on an individual question basis.

4.2 Role of respondent who took part in the survey

The most common job role reported by respondents to the survey was 'administrator' (42 out of 101, 41%). 14 respondents were pension managers/officers or fund managers, with seven pension board members and 38 'others'. The job roles of these others included Director of Operations, Director of People & Development, Director of Corporate Services and Governance & Compliance Manager.

4.3 Awareness and understanding of the legal governance and administration requirements and The Pensions Regulator's code of practice

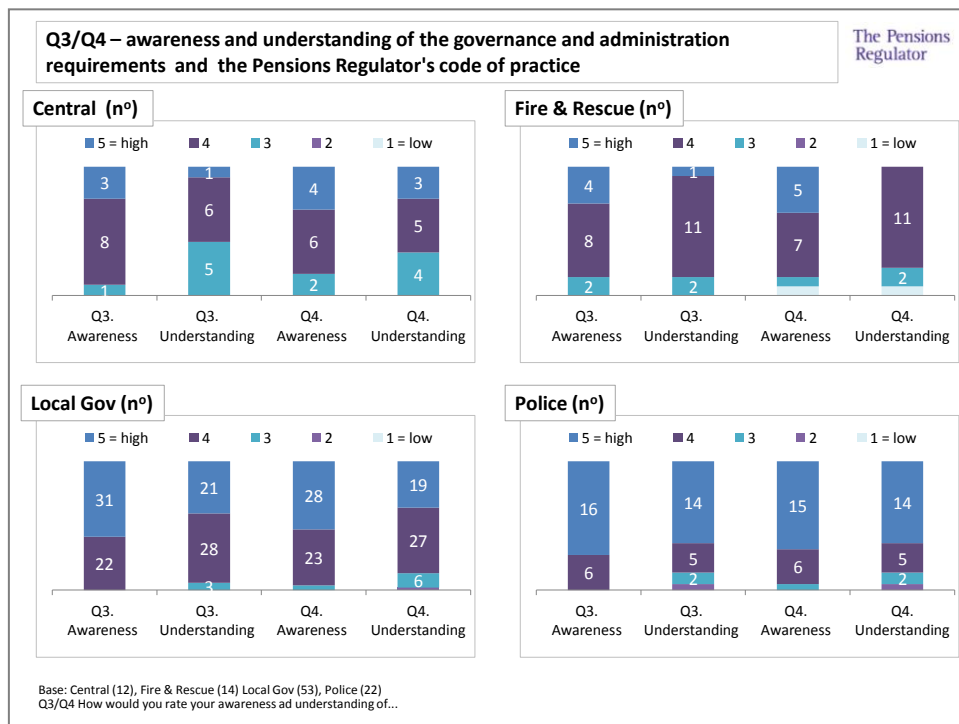
Figure 2-1 shows the reported level of awareness and understanding of:

- The legal governance and administration requirements introduced by the Public Service Pensions Act 2013
- The regulator's code of practice

Respondents rated their own awareness and understanding of these, using a scale from 1 to 5, where 1 is 'low' and 5 is 'high'.

Among the scheme contacts answering the survey, there were generally high levels of awareness and understanding of both the legal requirements and our code among all four scheme types. Most respondents gave a response of either four or five out of five.

Figure 4.3-1 - Awareness and understanding of the governance and administration requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and The Pensions Regulator's code of practice for public service pension schemes.



Overall, the mean scores for awareness and understanding of the governance and administration requirements were 4.5 and 4.23 respectively. The corresponding figures for awareness and understanding of our code of practice were 4.43 and 4.15 respectively.

4.4 Training undertaken by respondents relating to public service pension schemes

As shown in Figure 2-2, most respondents of all four scheme types had undertaken some form of training relating to public service pension schemes.

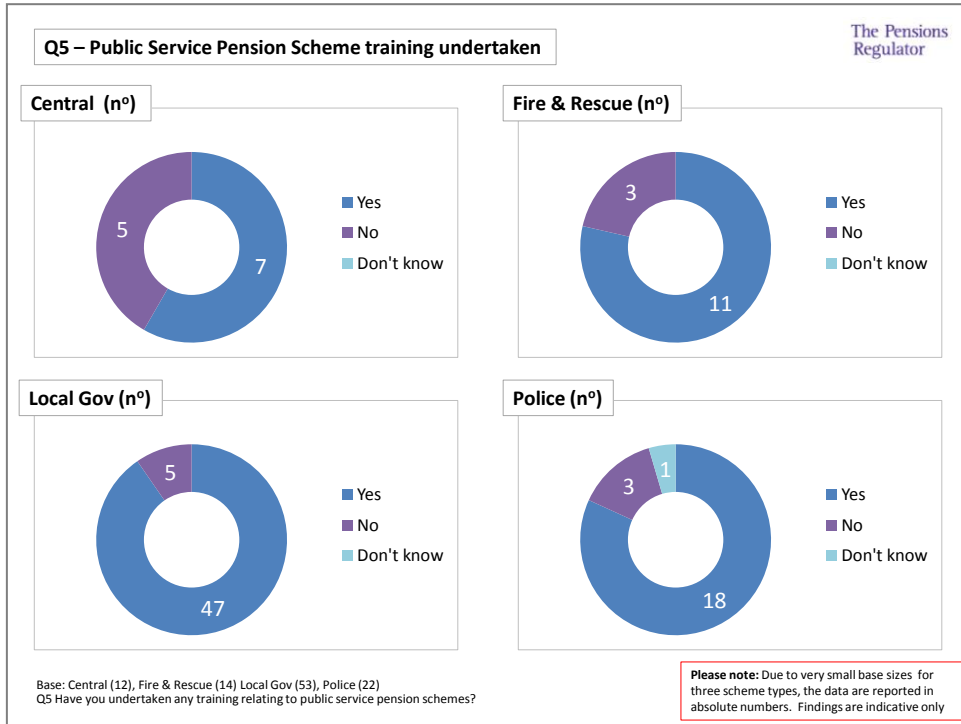
Overall, 83 out of 101 (82%) of respondents indicated they had received training.

According to respondents, where they indicated they had received training, it was provided by a mixture of different organisations:

- All seven Central scheme contacts who had received training said they received this from the regulator.
- 10 of the 11 Fire and rescue scheme contacts that had received training said they had received it from the Local Government Association (LGA).
- For Local government scheme contacts, the LGA (23), CIPFA (14) and 'Other consultants' (19) were the most common providers of training.

- For the Police schemes, information published by the regulator was identified as the most common source of training.

Figure 4.4-1 – Training undertaken by respondents relating to public service pension schemes



4.5 Pension scheme membership and status of pension board

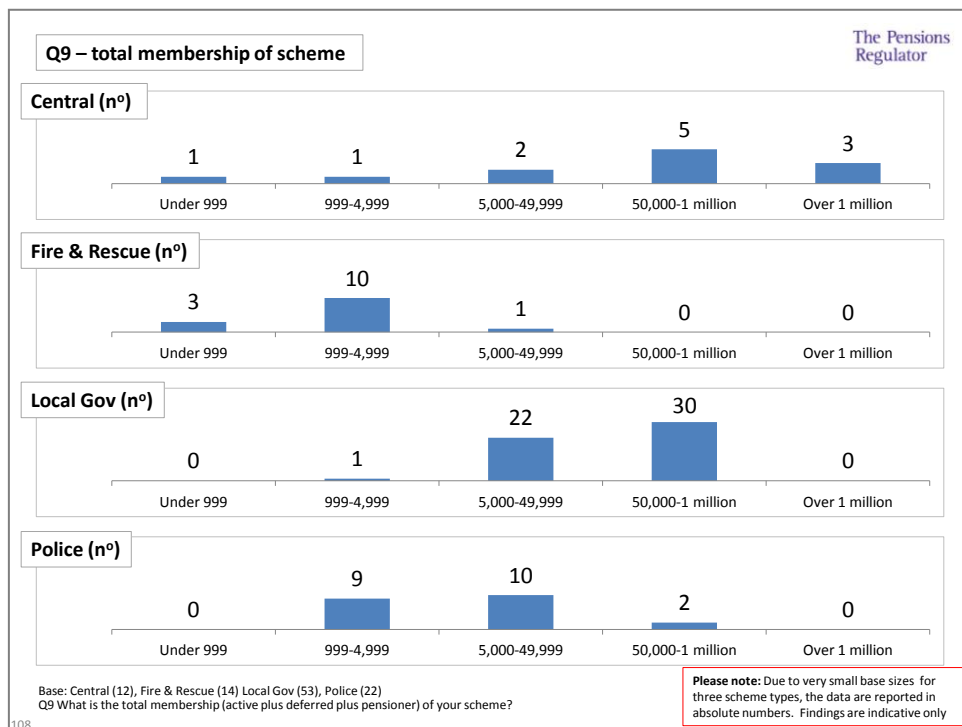
Two thirds of Central schemes (8 out of 12) reported a membership in excess of over 50,000; the three public service schemes that responded to the survey with over a million memberships were Central schemes.

The majority of Fire and rescue (13 out of 14) schemes had fewer than 5,000 memberships.

Three fifths of Local government schemes that responded had a membership of between 50,000 and one million (30 out of 53); most others (22 out of 53) were in the 5,000 and 49,999 membership range.

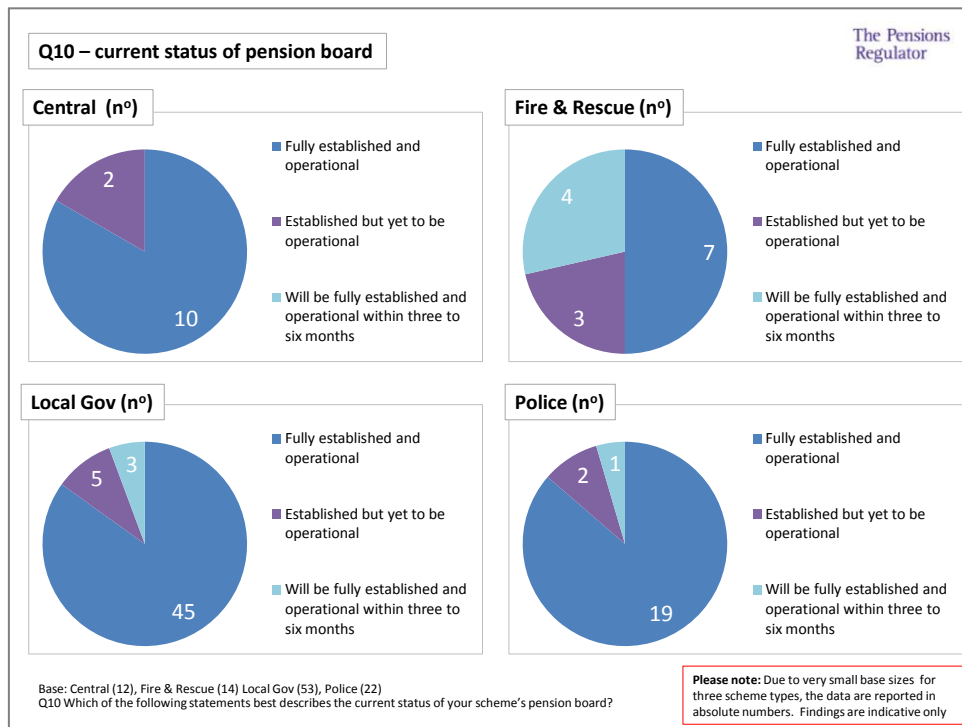
Around half of Police schemes had between 999 and 4,999 members, with around half having 5,000 to 49,999 memberships.

Figure 4.5-1 – Total membership of scheme



Overall (93 out of 101, 92%) of respondents identified their pension board as established (terms of reference agreed and all board members appointed). This held true across all the scheme types. Most boards (81 out of 101, 80%) were operational (with pension board meetings having commenced) while a minority were not. The remainder reported they would be operational within six months; there were no respondents that answered it would take longer than six months to operationalise.

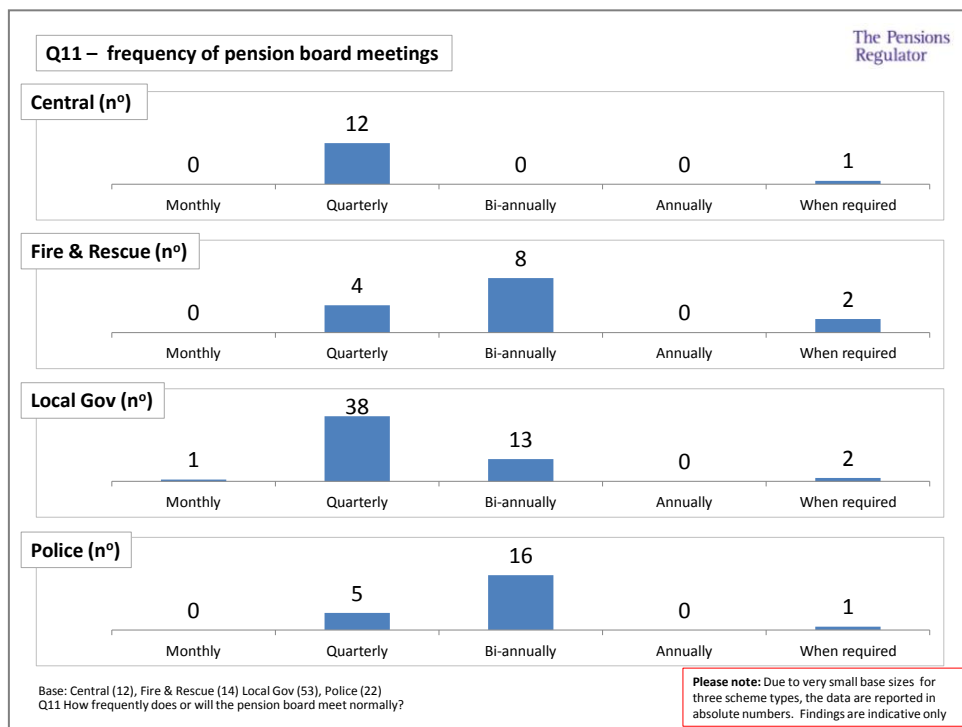
Figure 4.5-2 - Current status of pension board



4.6 Frequency of pension board meetings

The vast majority of schemes (96 out of 101, 95%) reported that their pension boards met or intend to meet at least every six months:

- All Central schemes stated they met/will meet at least quarterly (one scheme contact also stated they also met/will meet as required, if different from quarterly).
- Twelve of the 14 Fire and rescue schemes met/will meet at least every six months (four met/will meet quarterly).
- Over seven in ten Local government schemes (38 out of 53) met/will meet quarterly.
- Two in ten Police schemes (5 out of 22) met/will meet quarterly, while most others (16 out of 22) reported that their boards met/will meet on a biannual basis.

Figure 4.6-1 - Frequency of pension board meetings

4.7 Activity undertaken by schemes to ensure compliance with the legal requirements and reviewing the scheme against the code of practice

Schemes were asked about the actions completed (or being addressed) to ensure compliance with the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and also whether the scheme had been reviewed against our code of practice for public service pension schemes.

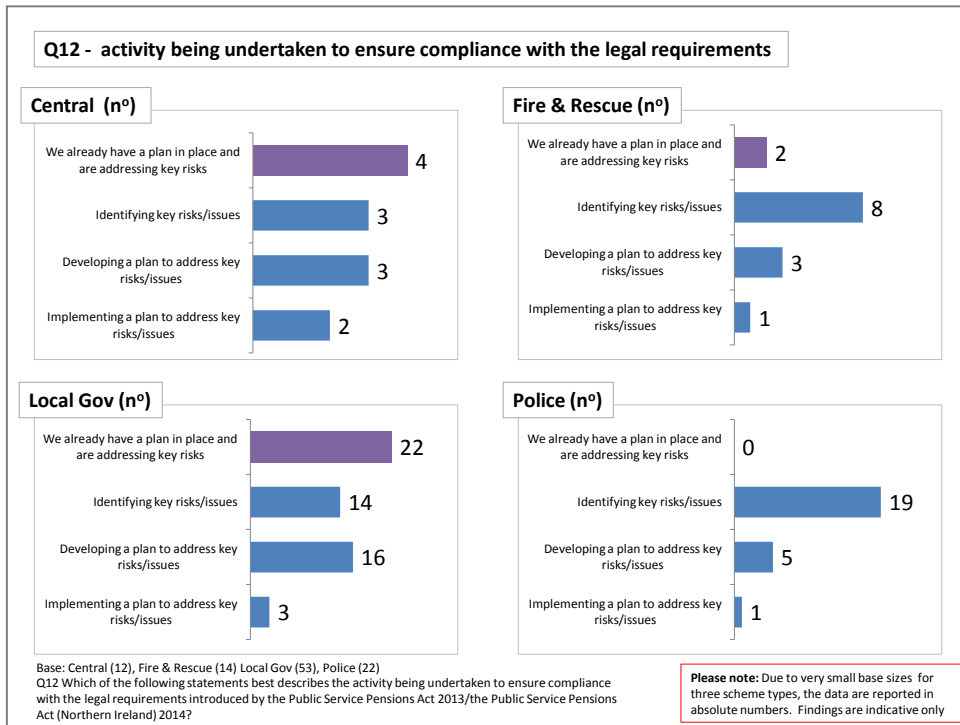
Overall, 28 out of 101 (28%) of schemes reported that they had plans in place and were addressing key risks.

The majority of Fire and rescue (12 out of 14) and all Police schemes (22 out of 22) reported that they were still at the stage of identifying, developing or implementing a plan to address key risks and issues. (Please note: respondents were able to select more than one of these options). Two Fire and rescue schemes said they had a plan in place and were addressing key risks; no Police schemes reported having reached that stage.

A third of Central schemes (4 out of 12) and a slightly higher proportion of Local government schemes (22 out of 53) reported that they had plans in place and were addressing key risks. The remainder were still at the stage of identifying, developing or implementing a plan to address key risks and issues.

In all scheme groups, fewer schemes reported that they were at the stage of implementing plans than identifying or developing plans.

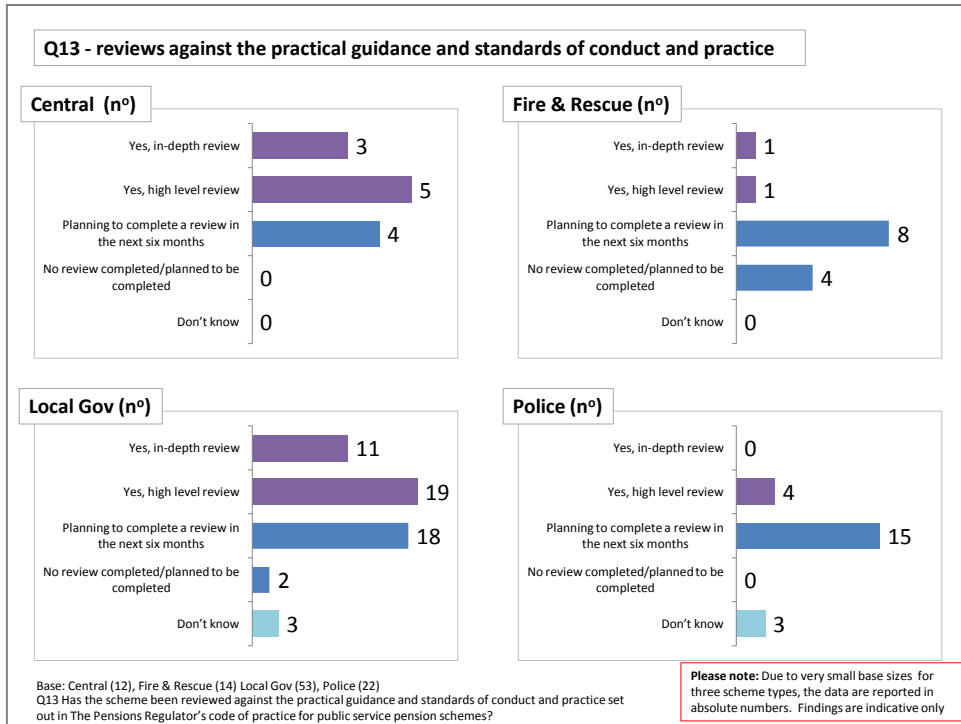
Figure 4.7-1: Activity being undertaken to ensure compliance with the legal requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014



Overall, 44 out of 101 schemes (44%) reported that they had already conducted either an in-depth or high level review of their scheme against the practical guidance and standards of conduct and practice set out in our code of practice for public service pension schemes

Over half of Local government (30 out of 53) and two-thirds of Central (8 out of 12) schemes had undertaken such a review. Most Police (15 out of 22) and Fire and rescue (8 out of 14) schemes planned to conduct a review in the next six months.

Figure 4.7-2: Reviews against the practical guidance and standards of conduct and practice set out in The Pensions Regulator’s code of practice for public service pension schemes



4.8 Roles, responsibilities, knowledge and understanding

All Central schemes and nine in ten Local government (50 out of 53) and Police (20 out of 22) schemes stated that they had:

- Produced guidance on the roles, responsibilities and duties of pension boards and the members of those boards and;
- Ensured that pension board members fully understood their roles, responsibilities and duties.

Overall, this equated to 94 out of 101 (93%) of schemes producing guidance and 91 out of 101 (90%) ensuring their boards understood their role.

Although most Fire and rescue schemes (12 out of 14) reported that they had produced guidance, fewer (9 out of 14) stated the scheme manager or another person had ensured the board members fully understood their role.

Figure 4.8-1: Production of guidance on the roles, responsibilities and duties of pension boards and the members of those boards

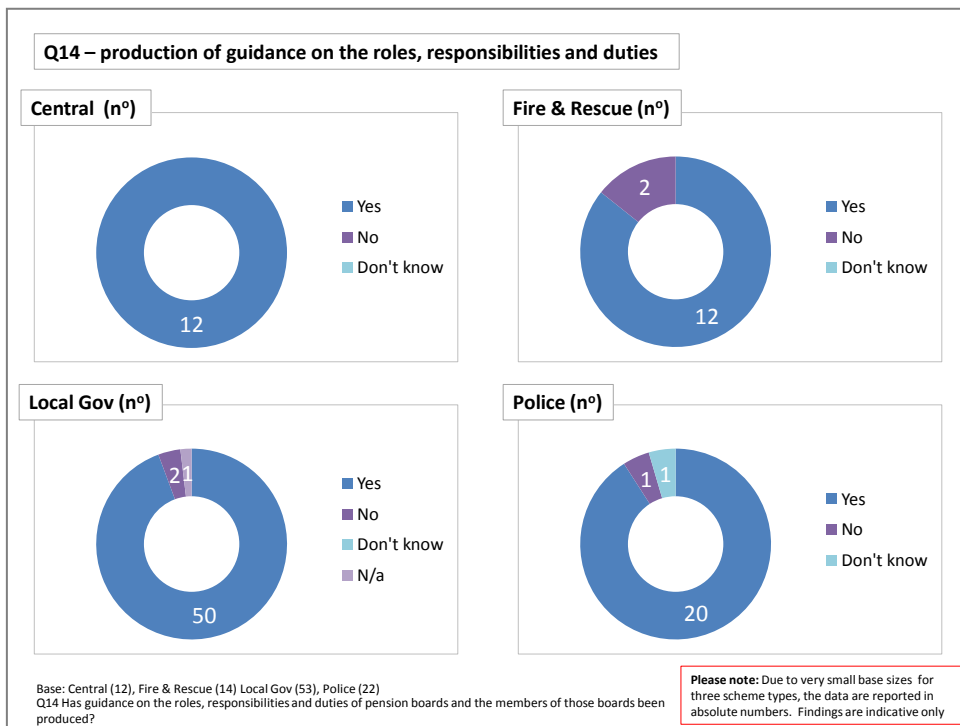
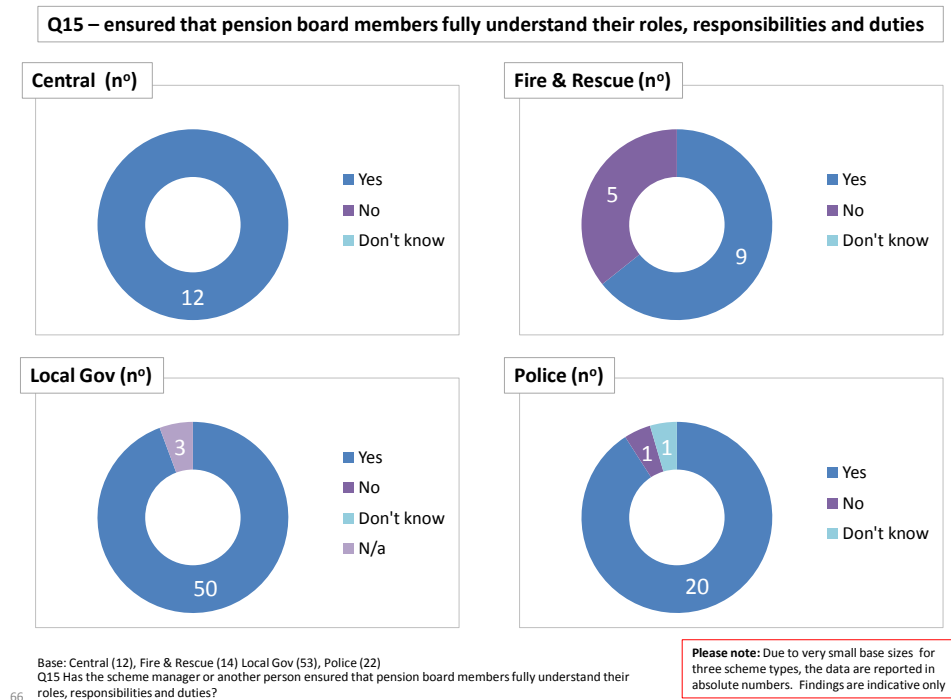


Figure 4.8-2: Scheme manager or another person has ensured that pension board members fully understand their roles, responsibilities and duties



Overall, 79 out of 101 schemes (78%) reported having developed policies and arrangements to help pension board members to acquire and retain required knowledge and understanding. This was the case for over four-fifths of Central (11 out of 12), Local government (46 out of 53) and Police (18 out of 22) schemes. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

In terms of the specific policies and arrangements that schemes stated had been developed, the focus was on training frameworks, training logs and pension board training plans rather than individual training plans.

Figure 4.8-3: Policies and arrangements to help pension board members to acquire and retain the knowledge and understanding they require

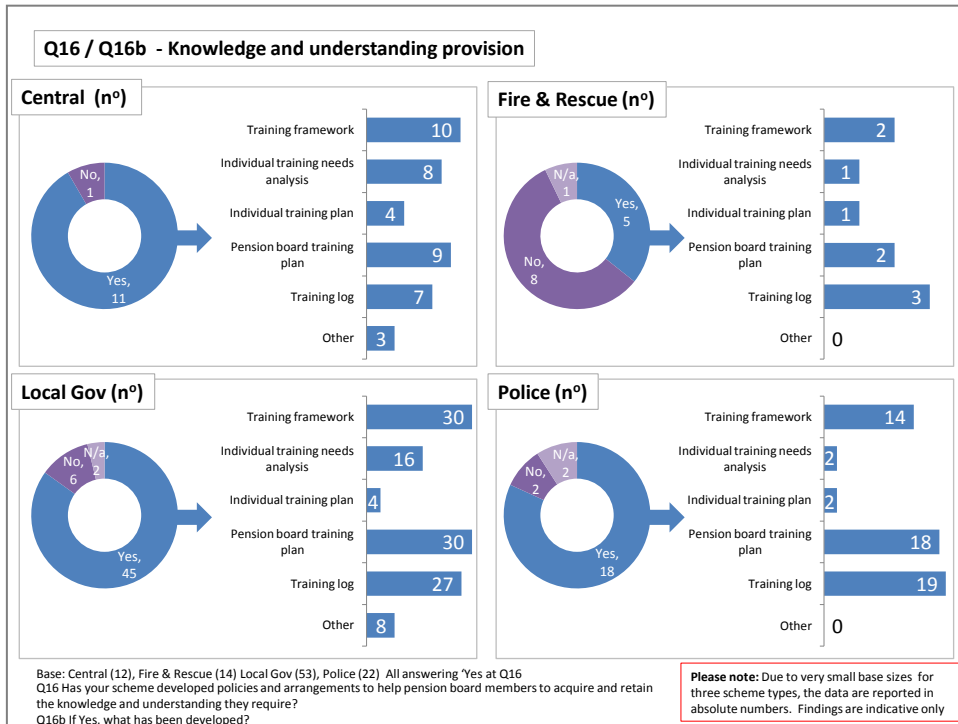


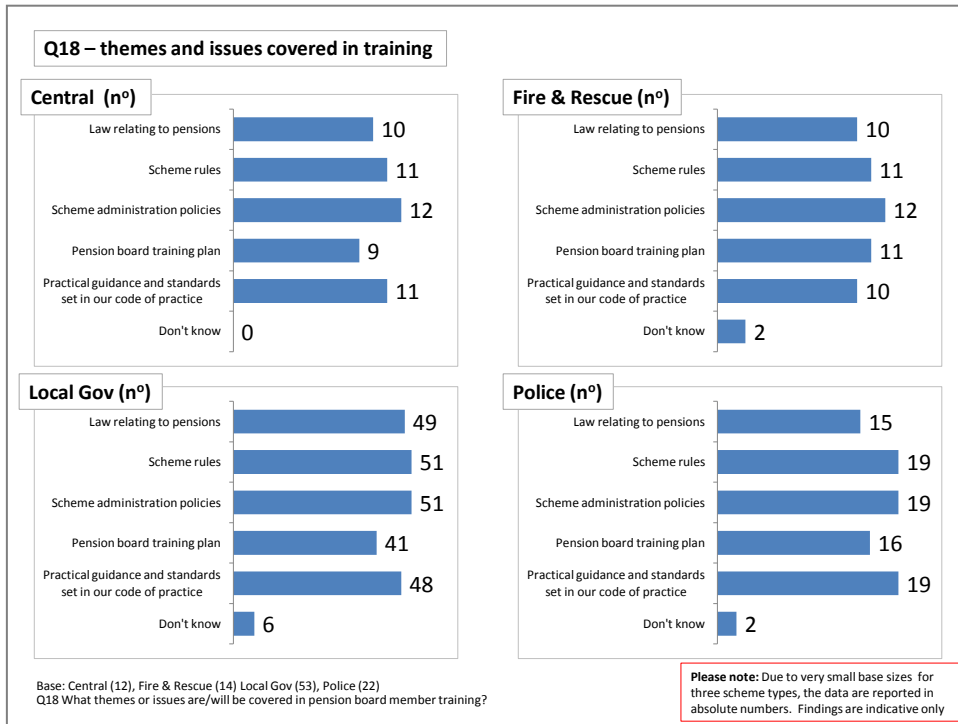
Table 4.8.1 below summarises the key sources of training identified for each scheme type. In addition to the sources identified below, for local government schemes the 'Local Government Association' (12) and 'Actuary' (9) also received high numbers of mentions.

Table 4.8.1 – Top 3 sources of pension board training by scheme type (numbers of mentions)

Central	Local government	Fire & Rescue	Police
The Pensions Regulator	Investment adviser	Local Government Association	The Pensions Regulator
Responsible/ administering authority	Responsible/ administering authority	The Pensions Regulator	Chartered Institute of Public Finance and Accountancy
Actuary	The Pensions Regulator	-	-

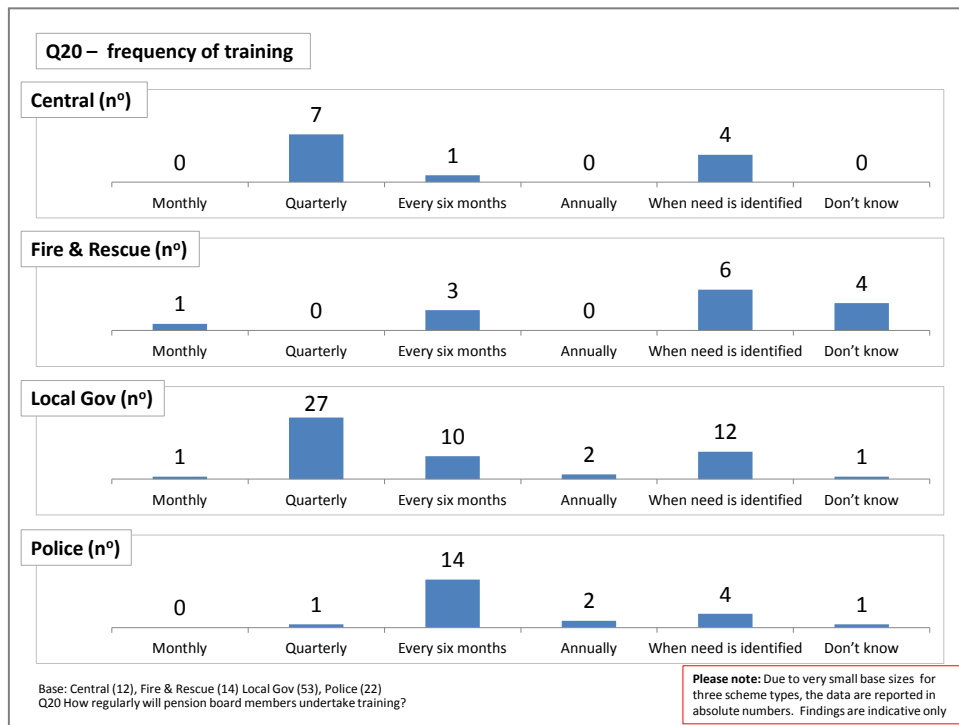
Most schemes reported that their board member training covered a wide remit, with scheme administration policies (94 out of 101, 93%), scheme rules (92 out of 101, 91%) and practical guidance and standards in the code of practice (88 out of 101, 87%) being the three areas mentioned most frequently. These areas were cited by all types of scheme.

Figure 4.8-4: Themes and issues covered in pension board member training



Overall, almost two thirds (63 out of 101, 62%) of schemes reported that training will take place either quarterly or every 6 months. Around half of Central (7 out of 12) and Local Government (27 out of 53) schemes answered that training will be conducted quarterly. Among Police schemes, the majority conducted training every six months (14 out of 22). For Fire & Rescue schemes, training was reported to be on a relatively ‘ad hoc’ basis, with 6 out of 14 stating it was whenever needed and 4 out of 14 reporting that they ‘don’t know’.

Figure 4.8-5: Frequency of pension board member training



4.9 Conflicts of interest

Overall, 88 out of 101 (87%) of schemes reported that they have a conflicts policy and procedure for pension board members, with 79 out of 101 (78%) having a register of interests in place.

All 12 Central schemes reported they had a conflicts of interest policy in place; 11 also stated that they had procedures that require board members to disclose interests which could become conflicts of interest prior to appointment and a register of interests (nine of the 11 updated this quarterly). Similar questions were asked in the 2013 survey relating to the presence of a conflicts policy and procedure and register of interests; more Central schemes reported they had these in place in the 2015 survey versus the 2013 survey. 4 out of 11 schemes reported they had these in place in the 2013 survey.

Over three-quarters of Fire and rescue schemes (11 out of 14) stated they had a conflicts policy in place, while a lower number (8 out of 14) had procedures that require disclosure of interests prior to appointment and a register of interests. Five out of the eight schemes with a risk of interests reported that they updated this quarterly.

Over four-fifths of Local government schemes reported they had a conflicts policy in place (46 out of 53), and procedures that require board members to disclose interests prior to appointment (45 out of 53). Slightly fewer had a register of

interests in place (41 out of 53). Results were very similar to the 2013 survey where equivalent questions were asked.

Over four-fifths of Police schemes reported they had a conflicts policy in place (19 out of 22). Almost all Police schemes (21 out of 22) had procedures that require board members to disclose interests prior to appointment and a majority (19 out of 22) had a register of interests in place. Of those with a risk register, this was most commonly updated on an annual basis (14 out of 19).

Figure 4.9-1: Conflicts policy and procedure in place for pension board members

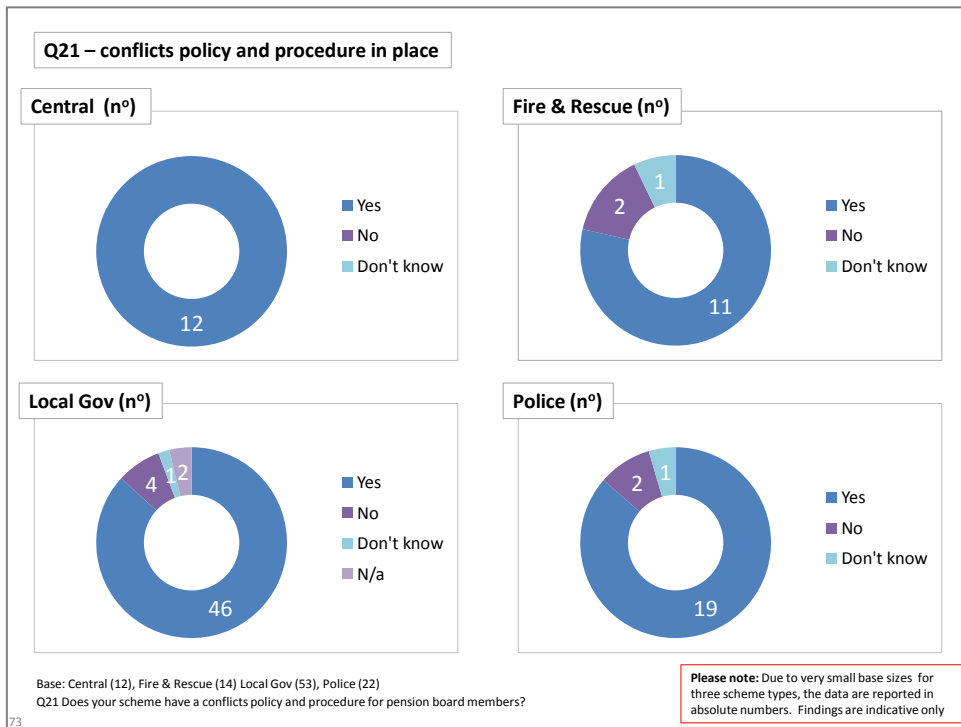


Figure 4.9-2: Conflicts policy and procedure content

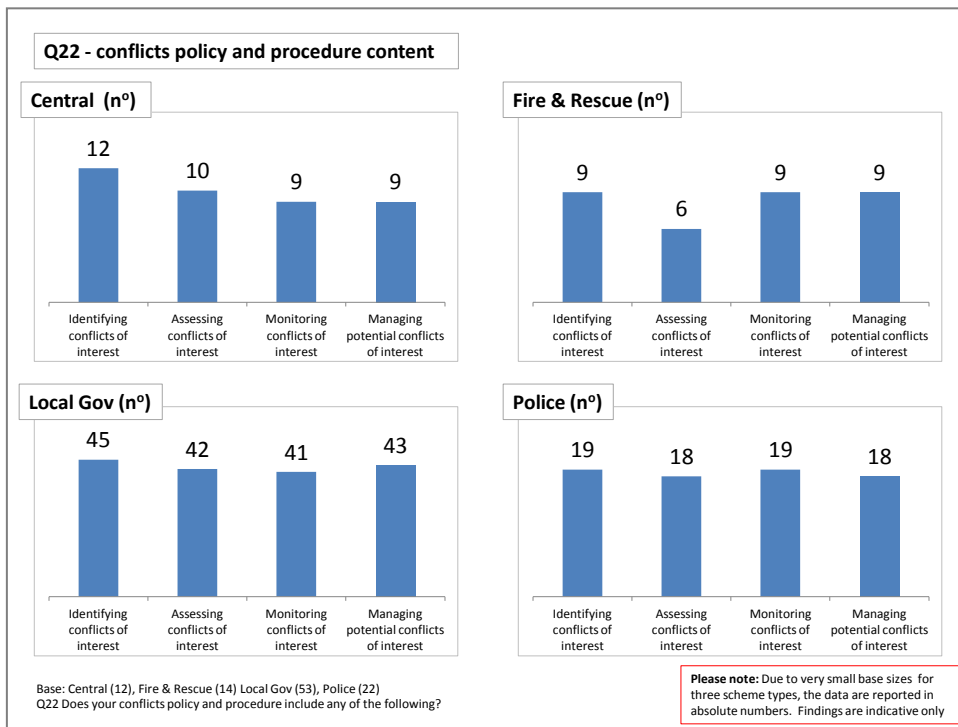


Figure 4.9-3: Procedures that require disclosure of interests which could become conflicts of interests prior to appointment

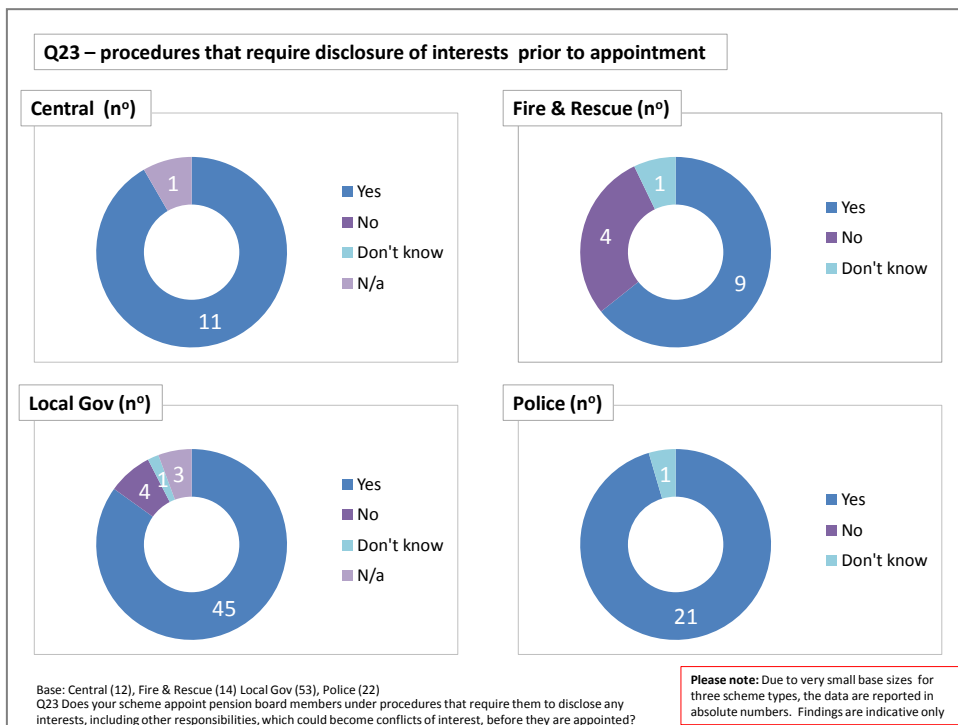


Figure 4.9-4: Register of interests in place

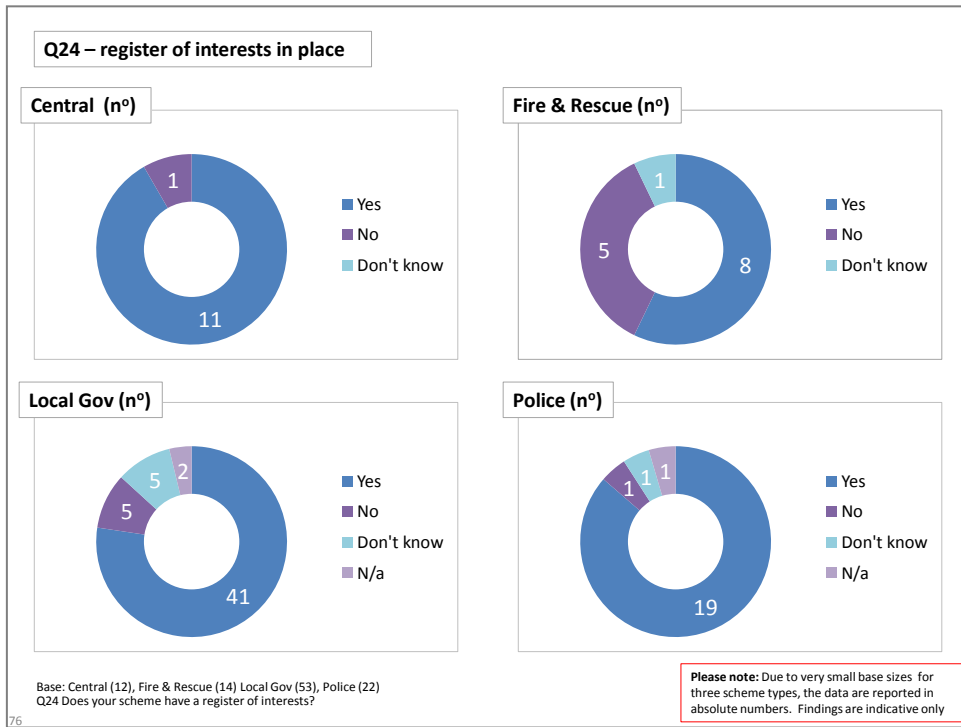
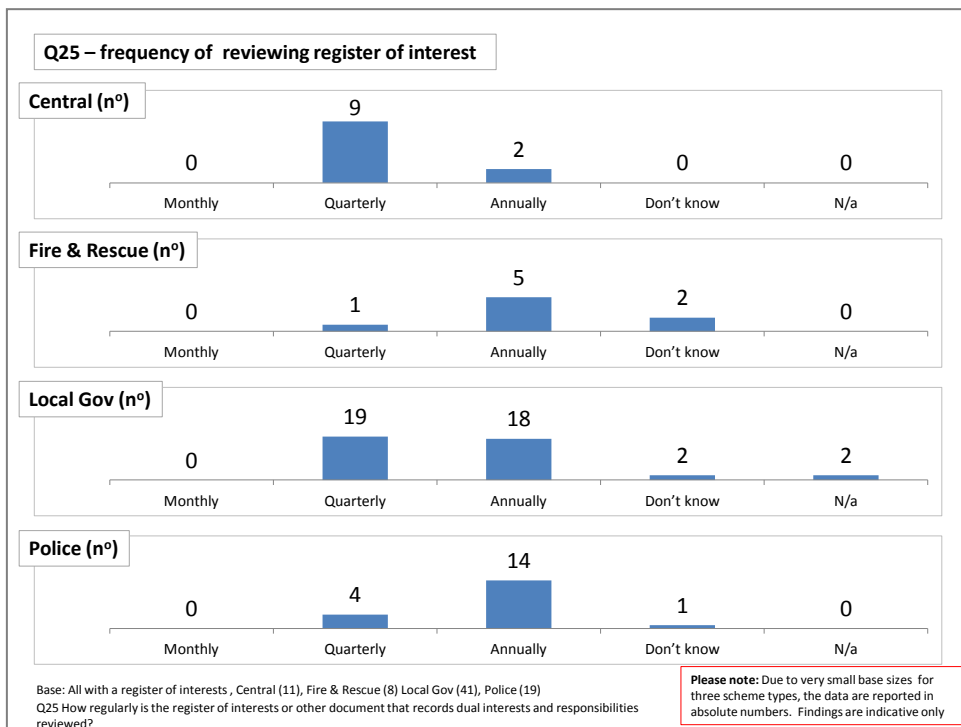


Figure 4.9-5: Frequency of reviewing register of interest or other document that records dual interests and responsibilities

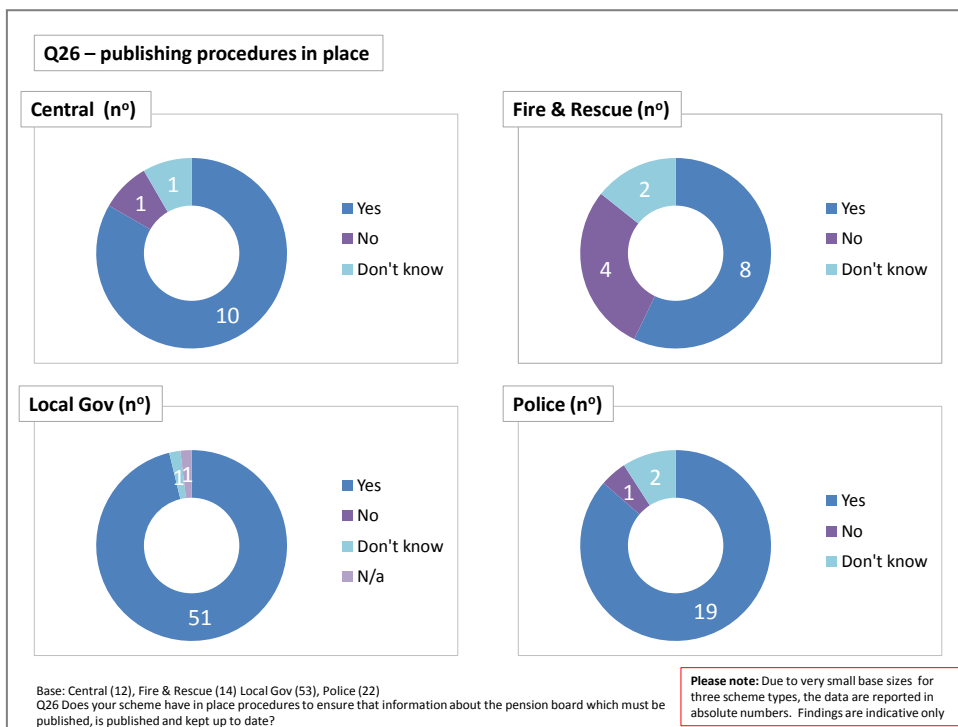


4.10 Publishing information about pension boards

Almost all Central (10 out of 12), Local government (51 out of 53) and Police schemes (19 out of 22) reported that they had in place procedures to ensure that information about the pension board which must be published, was published and kept up to date. Within Fire and rescue schemes, over half (8 out of 14) had procedures in place.

Overall, 88 out of 101 (87%) reported that this was the case.

Figure 4.10-1: Publishing procedures in place to ensure that information about the pension board which must be published, is published and kept up to date



Schemes were also asked about their plans to publish additional information (not specified in legislation) about the pension board. In total, 49 out of 101 schemes responded:

- 24 had plans to publish additional data, primarily relating to meeting agendas and minutes
- 11 had no plans to publish additional data
- 14 had not yet decided whether or not to publish additional data

4.11 Internal controls

Overall, 57 out of 101 (56%) conducted risk assessments at least quarterly, and 83 out of 101 (82%) had a risk register in place. 77 out of 101 (76%) had documented procedures for assessing and managing risk.

All Central schemes conducted risk assessments at least quarterly, and all had a risk register in place. Additionally, all of the Central schemes had documented procedures for assessing and managing risk – of which two-thirds (8 out of 12) (do or will) review the effectiveness of risk management and internal control systems at least every six months.

Almost half of Fire and rescue schemes conducted risk assessments quarterly (6 out of 14). Around a third had a risk register in place (5 out of 14) and documented procedures for assessing and managing risk (5 out of 14). In terms of reviewing the effectiveness of its risk management and internal control systems, almost half (6 out of 14) stated they do or will do this once a year or more, while half (7 out of 14) 'don't know' how frequently they do or will do this.

Among Local government schemes, two-thirds conducted risk assessments at least quarterly, and the vast majority had a risk register in place (48 out of 53). Four-fifths of Local government schemes had documented procedures for assessing and managing risk – of which around a fifth do or will review the effectiveness of risk management and internal control systems at least every six months. Over half (29 out of 53) do or will do this at least once a year.

Around half of Police schemes conducted risk assessments every six months (13 out of 22), and the majority had a risk register in place (18 out of 22). The majority (18 out of 22) also had documented procedures for assessing and managing risk – of which almost three-quarters (16 out of 22) do or will review the effectiveness of risk management and internal control systems once a year or more.

Figure 4.11-1: Frequency of risk assessment

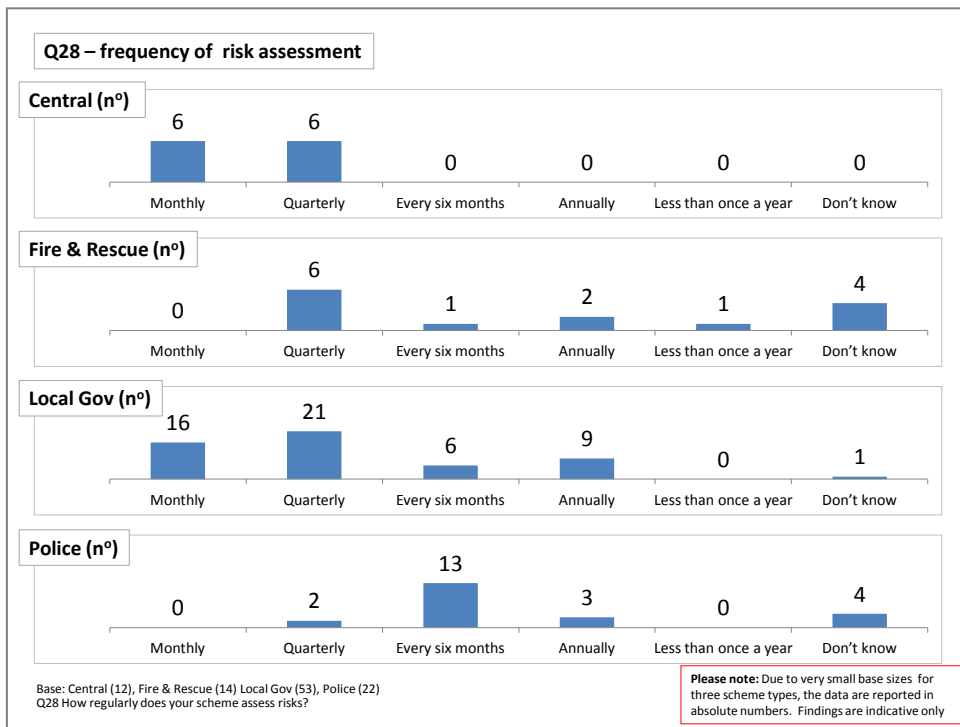


Figure 4.11-2: Risk register in place

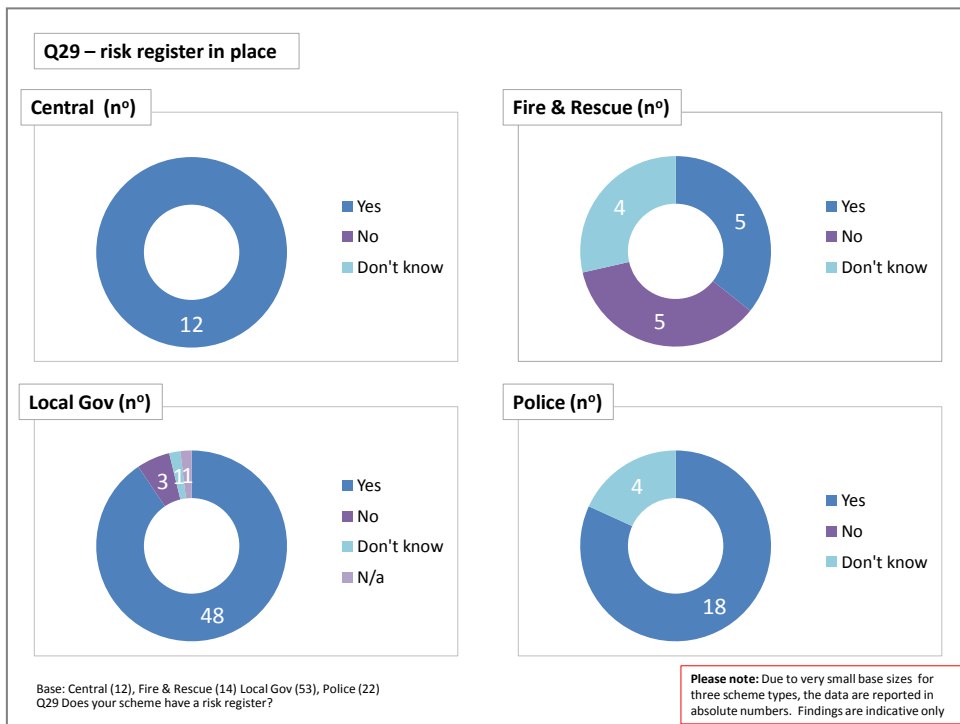


Figure 4.11-3: Documented procedures in place for assessing and managing risk

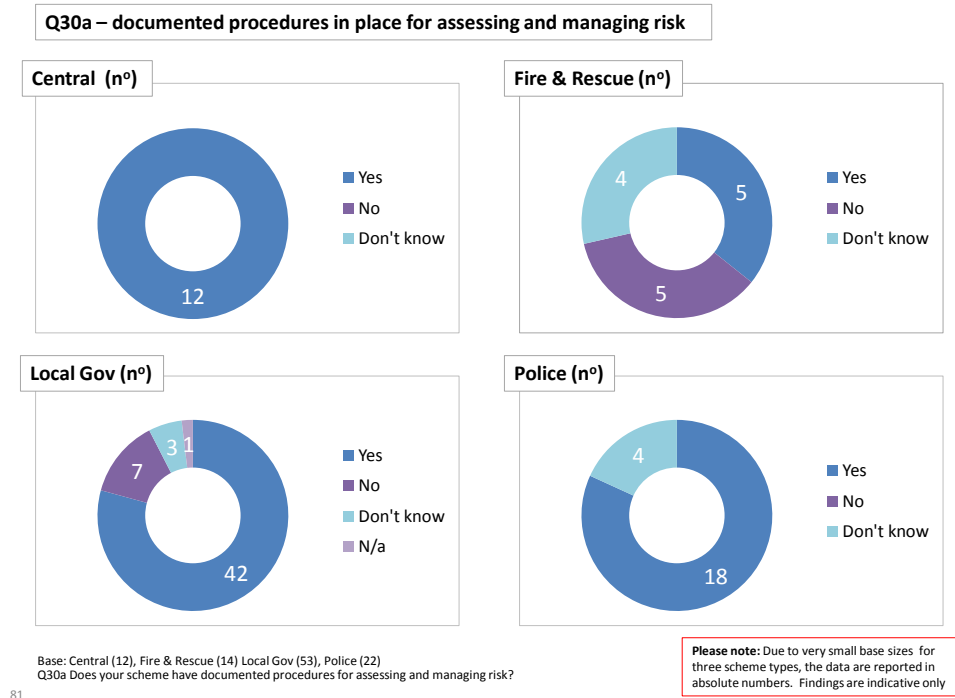
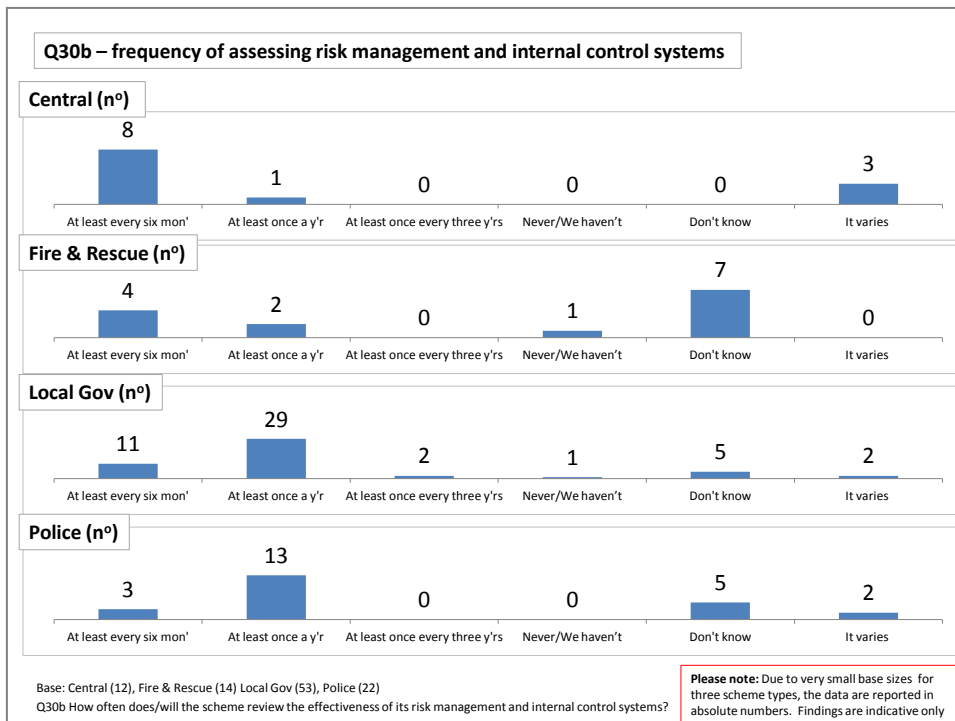


Figure 4.11-4: Frequency of reviewing effectiveness of risk management and internal control systems

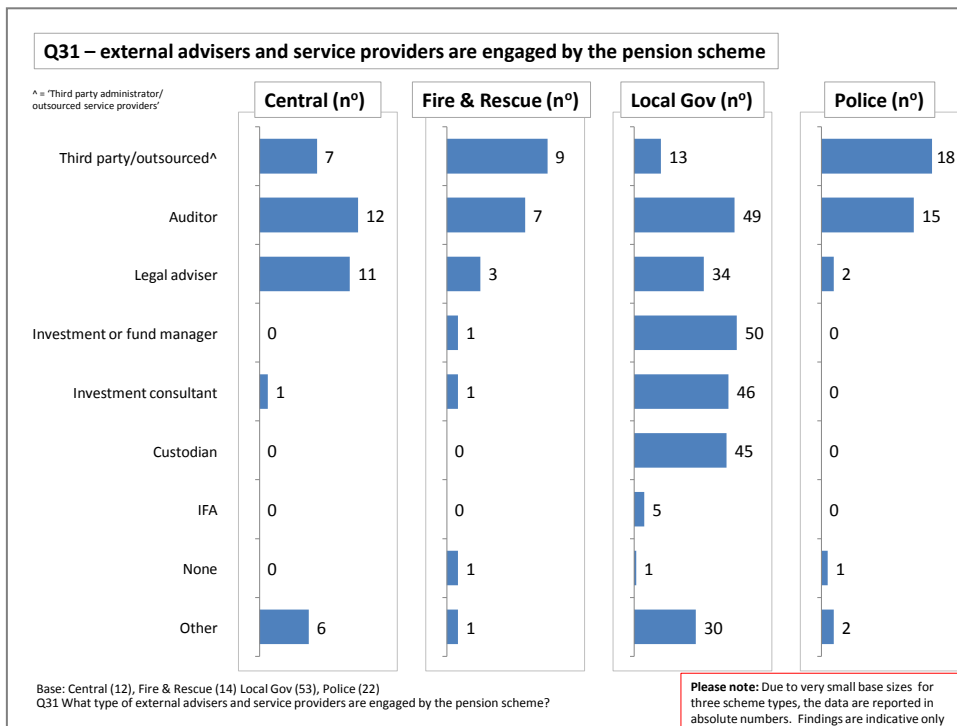


4.12 External advisers and service providers

Overall, 47 out of 101 (47%) used third party administrators, and 83 out of 101 (82%) reported the use of an auditor.

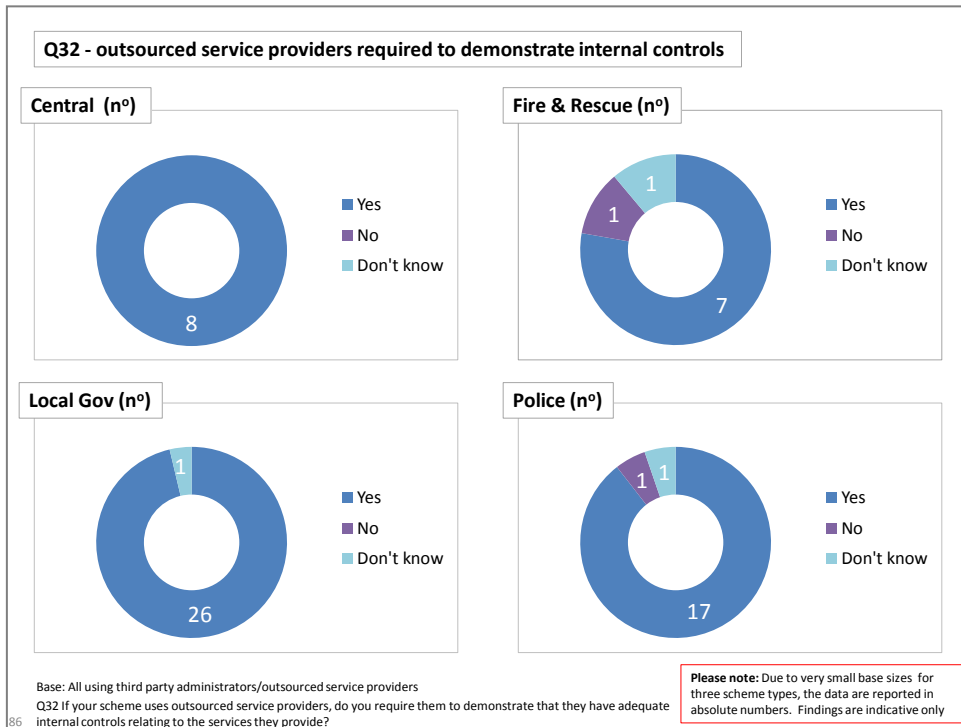
The types of external advisers and service providers engaged by Central, Fire and rescue and Police schemes tended to be similar. All three schemes mainly used ‘Third party administrator/ outsourced service providers’ and ‘auditors’; Central schemes also used ‘legal advisers’. Local government schemes used a wider range of advisers and providers – mainly investment/fund managers, auditors, investment consultants and custodians. A large minority (24 out of 53) of Local Government schemes reported retaining the services of an actuary.

Figure 4.12-1: External advisers and service providers engaged by the pension scheme



Among schemes that used third party administrators or outsourced providers, almost all required the supplier to demonstrate adequate internal controls – regardless of scheme type.

Figure 4.12-2: Outsourced service providers required to demonstrate that they have adequate internal controls relating to the services they provide

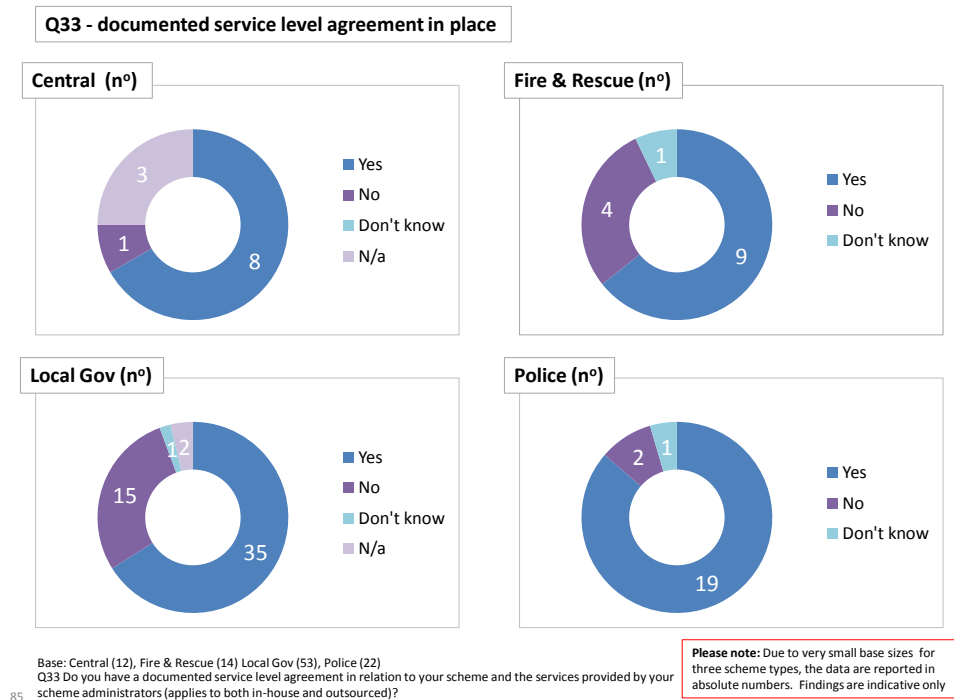


PLEASE NOTE: A small number of respondents provided an answer for Q32 despite their response to Q31 indicating that their scheme did not use outsources service providers. As such there are additional responses included in the above Figure.

Overall, 71 out of 101 (70%) of schemes reported having a documented service level agreement in relation to their scheme and the services provided by their scheme administrators, regardless of whether administration was carried out in-house or provided by a third party.

Around two-thirds of Central (8 out of 12) Fire and rescue (9 out of 14) and Local government (35 out of 53) schemes had a documented service level agreement in relation to their scheme and the services provided by scheme administrators (in-house and outsourced). Almost 9 in 10 Police schemes (19 out of 22) had these in place.

Figure 4.12-3: Documented service level agreement in place in relation to the scheme and the services provided by their scheme administrators



Overall, 43 out of 101 (43%) of schemes received information on their administrator's internal controls on a monthly or quarterly basis.

The frequency with which information was reported to be received on administrators' internal controls varied within scheme types:

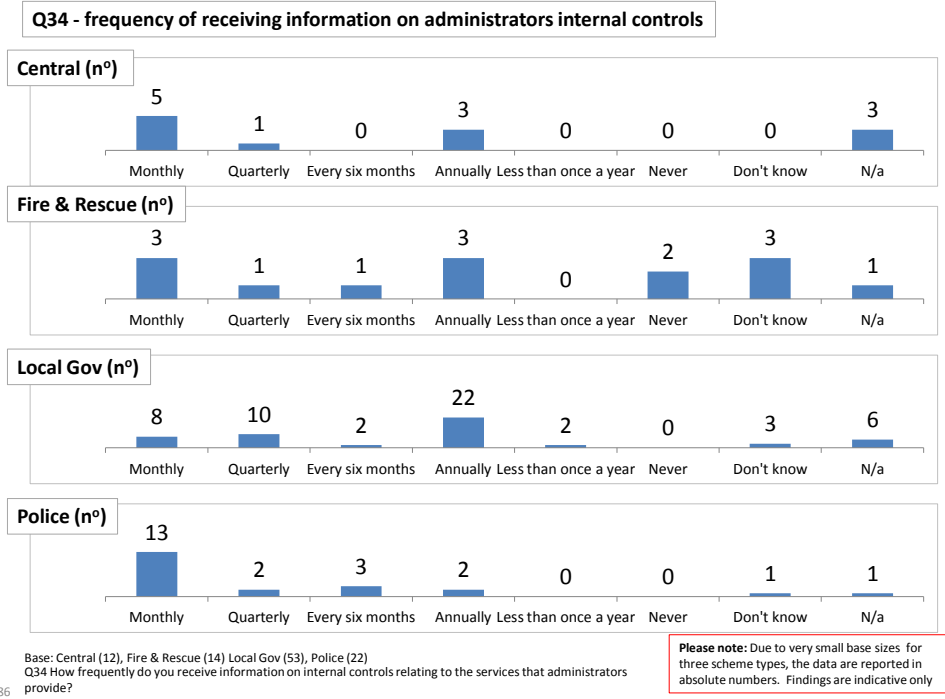
Central schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (5 out of 12) or 'annually' (3 out of 12).

The frequency of information on administrator's internal controls varied between the individual Fire and rescue schemes, for example: three schemes received information 'monthly', three schemes received this 'annually', three schemes stated 'don't know' and a further three schemes stated 'never' or 'no answer'.

Two-fifths of Local government schemes received information on internal controls relating to the services that administrators provided 'annually' (22 out of 53); slightly less than one-fifth received this 'monthly' (8 out of 53) or 'quarterly' (10 out of 53).

Police schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (13 out of 22).

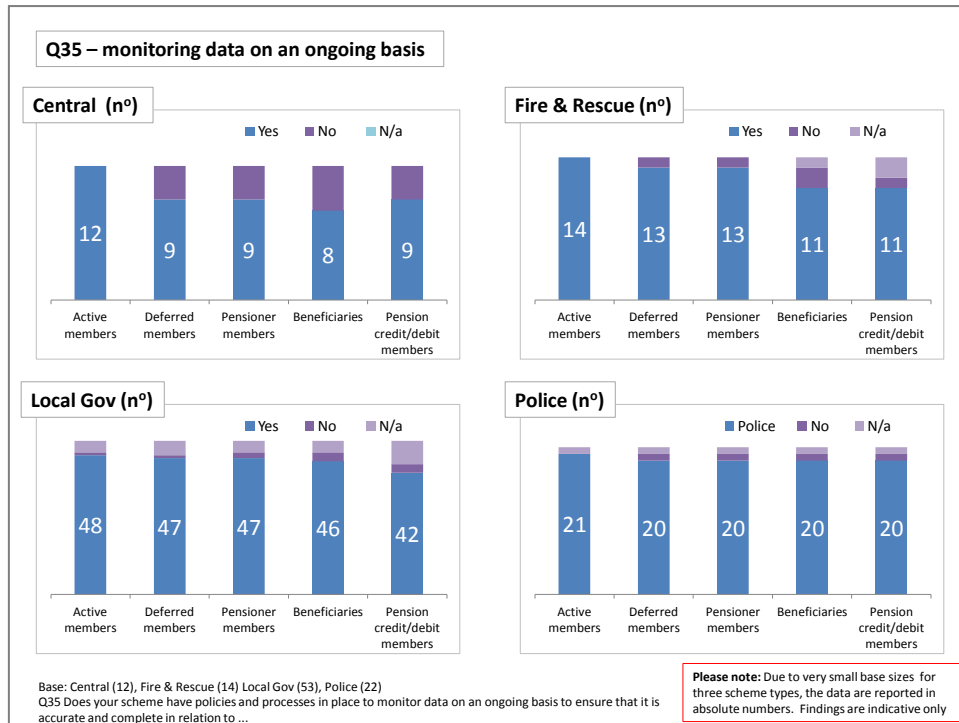
Figure 4.12-4: Frequency of information on internal controls relating to the services that administrators provide



86

4.13 Scheme record-keeping and data monitoring

Figure 4.13-1: Policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete



Policies and processes for ongoing monitoring of member data were in place for almost all schemes in respect of 'active members'. There were more gaps regarding record-keeping for other member types. Data monitoring policies and processes for deferred members, pensioner members, beneficiaries and pension credit / debit members were not in place in a significant minority of Central schemes.

Figure 4.13-2: Measurement of data against requirements of the Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014

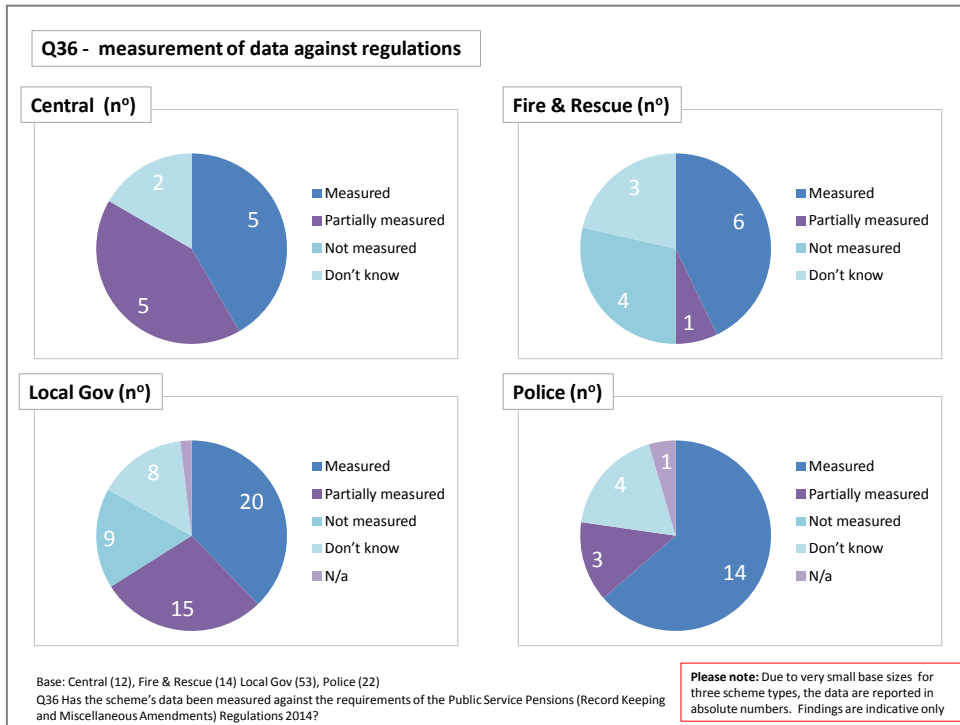
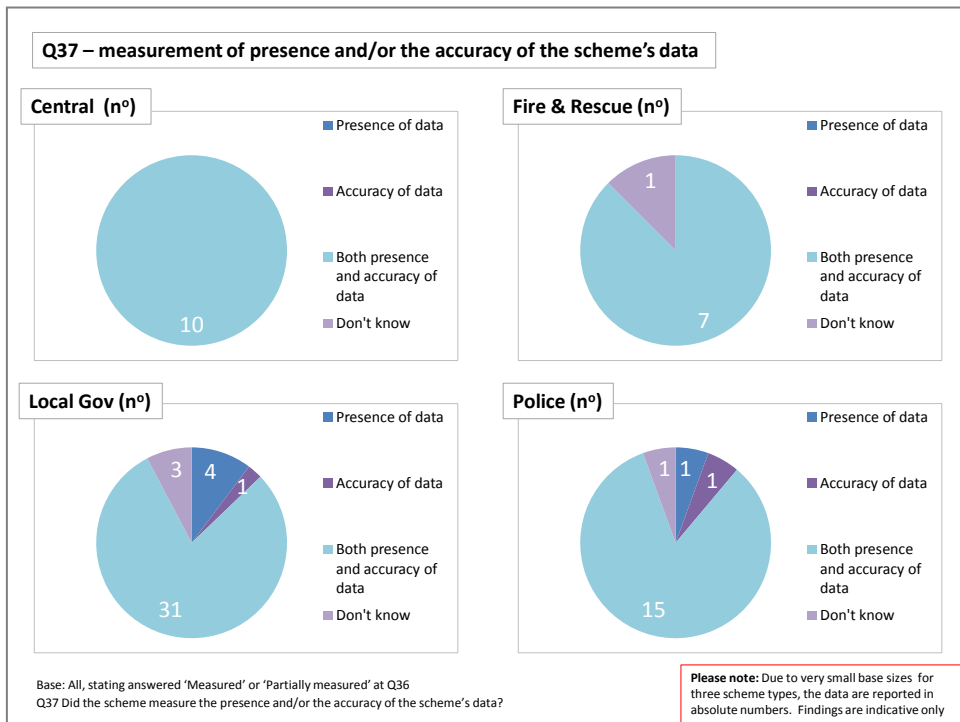
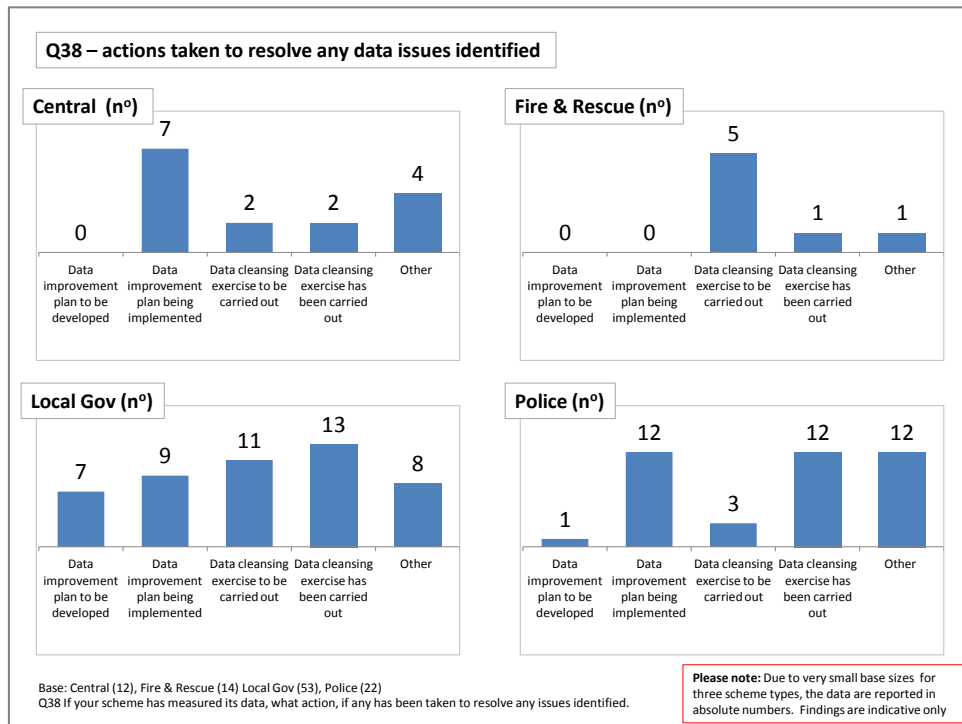


Figure 4.13-3: Measurement of presence and/or the accuracy of the scheme's data



PLEASE NOTE: A small number of respondents provided an answer for Q37 despite their response to Q36 indicating that their scheme had not measured its data against the regulations. As such there are additional responses included in the above Figure.

Figure 4.13-4: Actions taken to resolve any data issues identified



PLEASE NOTE: A small number of respondents provided an answer for Q38 despite their response to Q36 indicating that their scheme did not measure its data against the regulations. As such there are additional responses included in the above Figure.

Overall, 45 out of 101 schemes (45%) had measured their data, with a further 24 out of 101 (24%) having partially measured the scheme's data against the requirements of the Record Keeping Regulations⁴. Of these 69 schemes, 63 had measured both the presence and accuracy of data.

The majority (10 out of 12) of Central schemes had measured the scheme's data against the Regulations (5 out of 12 measures and 5 out of 12 partially measured). Of those who had conducted these measurements, all measured the presence and accuracy of the scheme's data. The main action taken by seven schemes to resolve any data issues identified were a 'data improvement plan being implemented'. Data cleansing exercises will or had been carried out by four schemes.

Half of Fire and rescue schemes (7 out of 14) had measured the scheme's data against the Regulations (6 out of 14 measures and 1 out of 14 partially measured). Of those who provided a response relating to conducting these measurements, the majority (7) measured the presence and accuracy of the scheme's data. Data cleansing exercises will or had been carried out by six schemes to resolve any data issues identified.

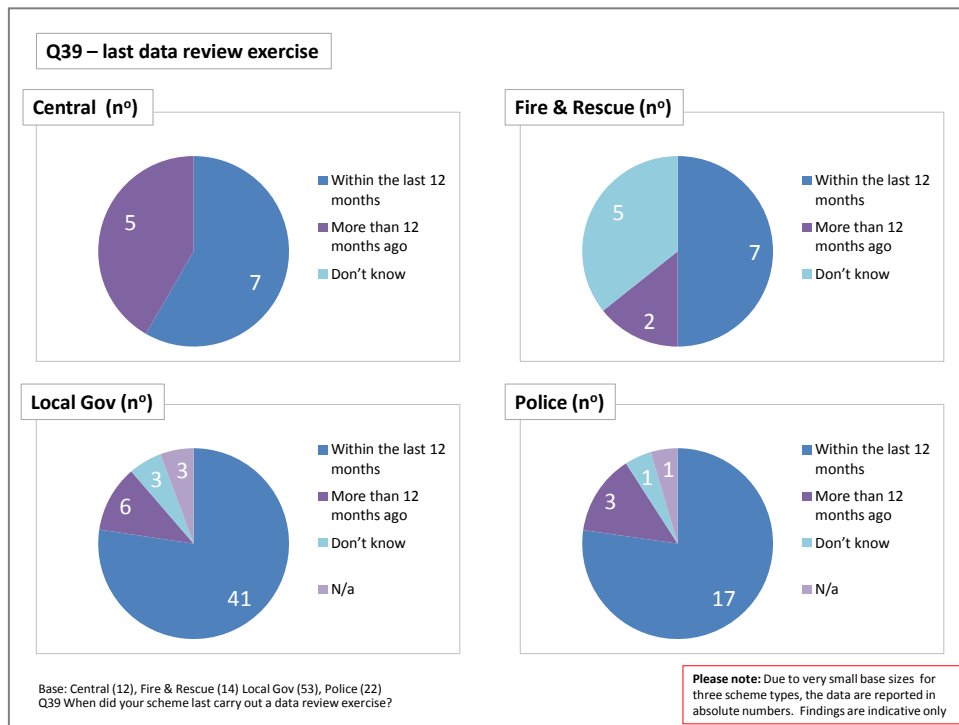
⁴ Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014.

Among Local government schemes, two-thirds had measured the scheme's data against the Regulations (20 out of 53 measured and another 15 out of 53 partially measured). Of those who provided a response relating to conducting these measurements, the majority (31) measured the presence and accuracy of the scheme's data. Local government schemes were split between planning and having completed actions to resolve any data issues identified:

- Seven schemes were developing a data improvement plan, nine had this in place.
- Data cleansing exercises were to be carried out by 11 schemes, 13 schemes had already conducted them.
- 'Other' actions were also planned/being carried out by eight schemes.

Over three-quarters of Police schemes had measured the scheme's data against the Regulations (14 out of 22 measures and 3 out of 22 partially measured). Of those who provided a response relating to conducting these measurements, the majority (15) measured the presence and accuracy of the scheme's data. 12 Police schemes had implemented data improvement plans and had carried out data cleansing exercises. Furthermore 'other' actions were also planned/being carried out by eight schemes.

Figure 4.13-5: Last data review exercise



Overall, 72 out of 101 (71%) schemes reported that they had conducted a data review within the last year.

Over half of Central schemes had conducted a data review exercise in the last year (7 out of 12); and the majority currently carried out or planned to carry out future data review exercises (including an assessment for accuracy and completeness of the data) at least annually (6 out of 12 annually, 4 out of 12 more frequently).

Half of Fire and rescue schemes had also conducted a data review exercise in the last year (7 out of 14) and the majority currently carried out or planned to carry out future data review exercises annually (11 out of 14)

Among Local government schemes, data review exercises were most frequently carried out within the last 12 months (41 out of 53). Over three-fifths of Local government schemes currently carried out or planned to carry out future data review exercise annually (34 out of 53), with one-fifth planning to conduct data reviews more frequently than annually (11 out of 53).

The majority of Police schemes (17 out of 22) had carried out a data review exercise in the last year. Looking ahead, almost all schemes currently carried out or planned to carry out future data review exercise at least annually (7 out of 22 annually, 13 out of 22 more frequently).

Figure 4.13-6: Frequency of data review exercise including an assessment for accuracy and completeness of the data

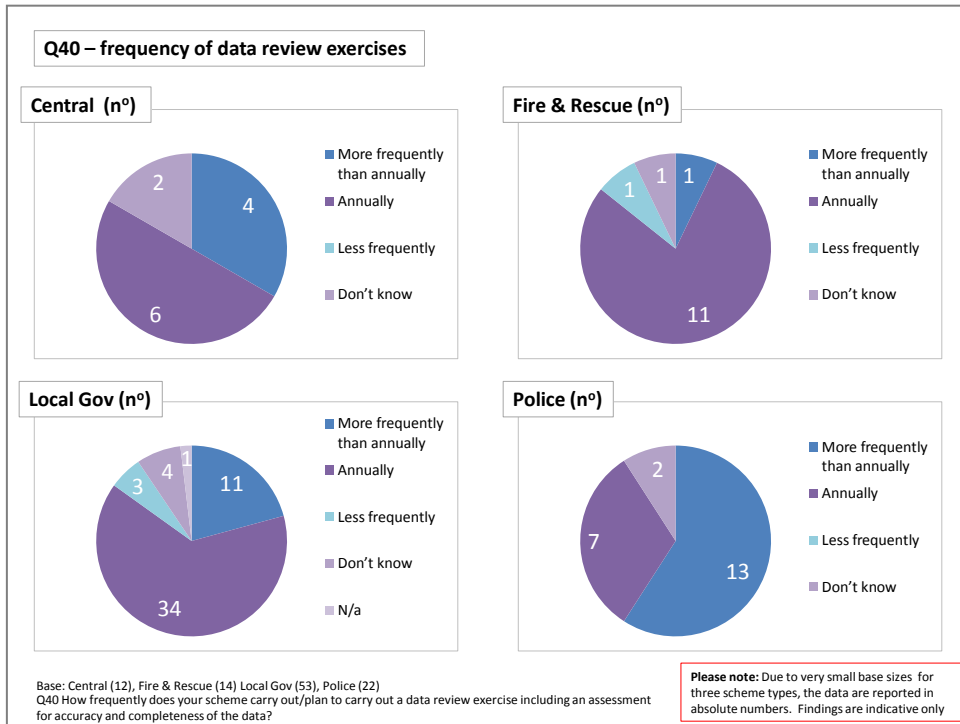
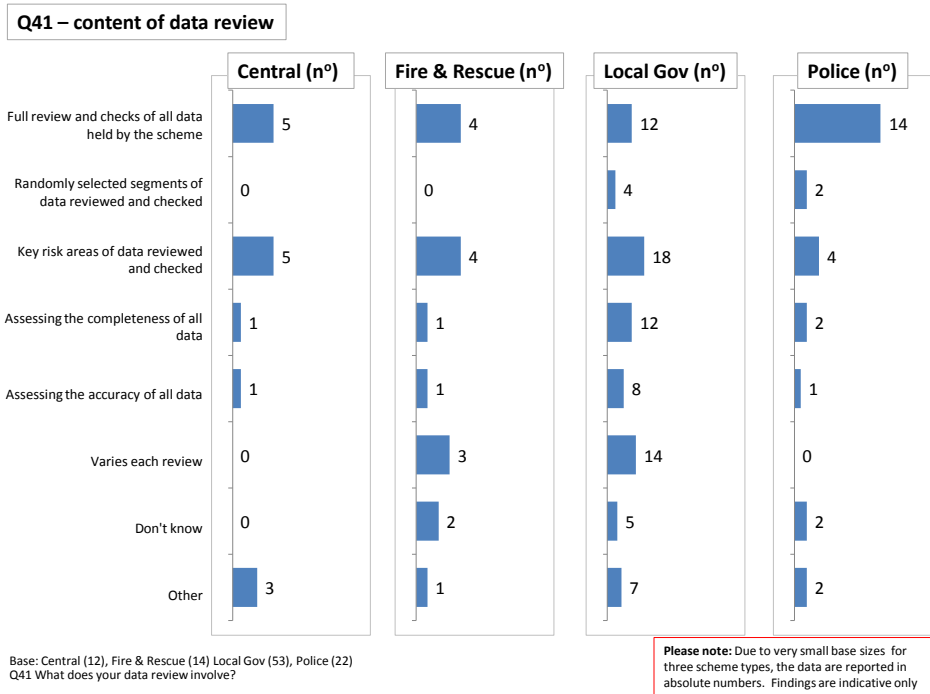


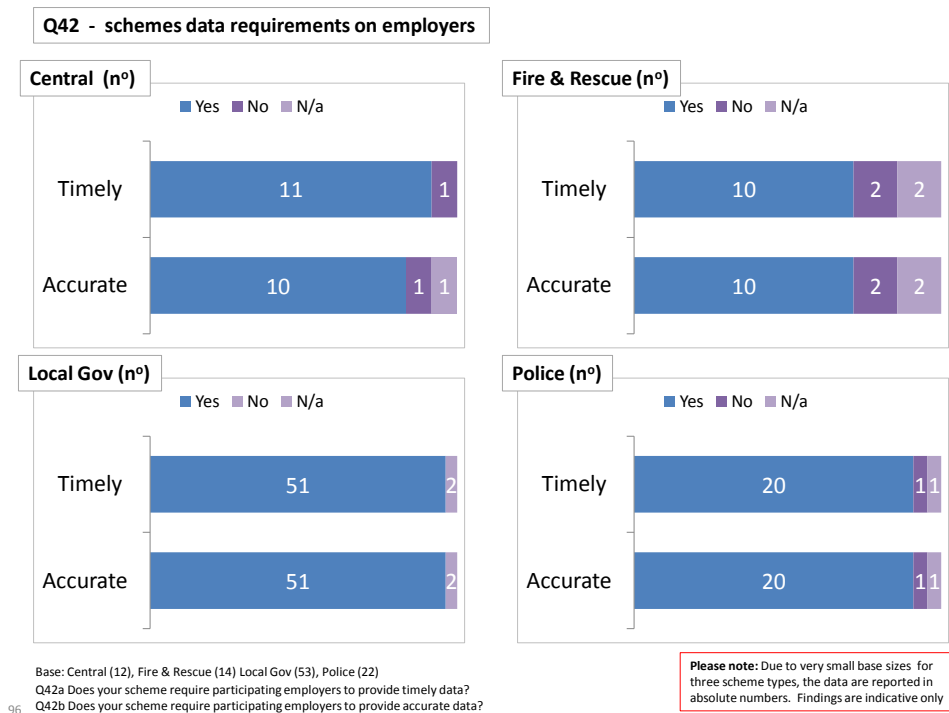
Figure 4.13-7: Content of data review



Schemes data review involved a wide range of activities:

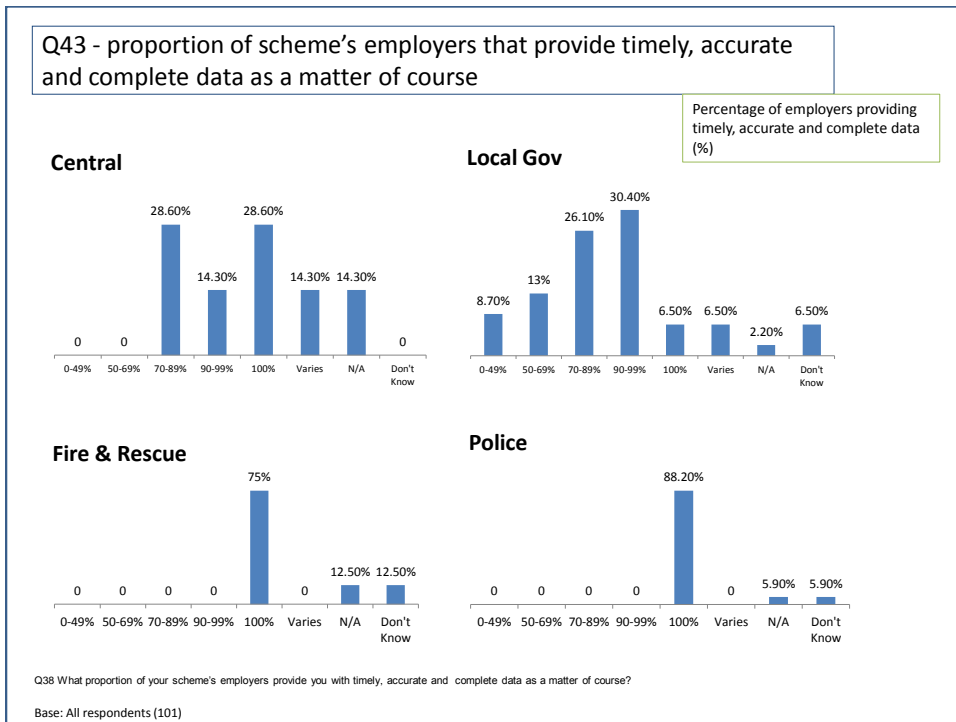
- A full review and checks of all data held by the scheme was one of the most common tasks identified by those answering for Central (5 out of 12), Fire & Rescue (4 out of 14) and Police (14 out of 22) schemes.
- Key risk areas of data reviewed and checked was also a top mentioned activity among Central (5 out of 12), Fire & Rescue (4 out of 14) and Local Government (18 out of 53) schemes.
- Assessing the completeness of all data was also part of the review among several Local Government schemes (12 out of 53).
- A quarter of Local Government schemes (14 out of 53) mentioned that the content varied in each review.

Figure 4.13-8: Schemes require participating employers to provide timely and accurate data



In all scheme types the vast majority of schemes require employers to provide data on a timely and accurate basis. In a minority of cases, Central schemes, Fire and rescue schemes and Police schemes do not have this requirement.

Figure 4.13-9: Proportion of scheme employers which provide data that is timely, accurate and complete as a matter of course



Overall (51%) of schemes reported that 90%-100% of scheme employers provided schemes with timely, accurate and complete data as a matter of course; three in ten (32%) stating 100%.

3 out of 7 Central schemes submitted that 90% of employers provided timely, accurate and complete data. The same figure for Local government schemes was 17 out of 46 schemes. Most Fire and rescue (6 out of 8 schemes) and Police schemes (15 out of 17) who answered the question indicated that 100% of employers provided timely, accurate and complete data.

4.14 Maintaining contributions

Almost all schemes (98 out of 101, 97%) regardless of type had a method or other process for monitoring the payment of contributions to the scheme in place. The vast majority also had processes in place to resolve payment issues and assess whether to report payment failures.

Figure 4.14-1: Method or other process for monitoring the payment of contributions into the scheme

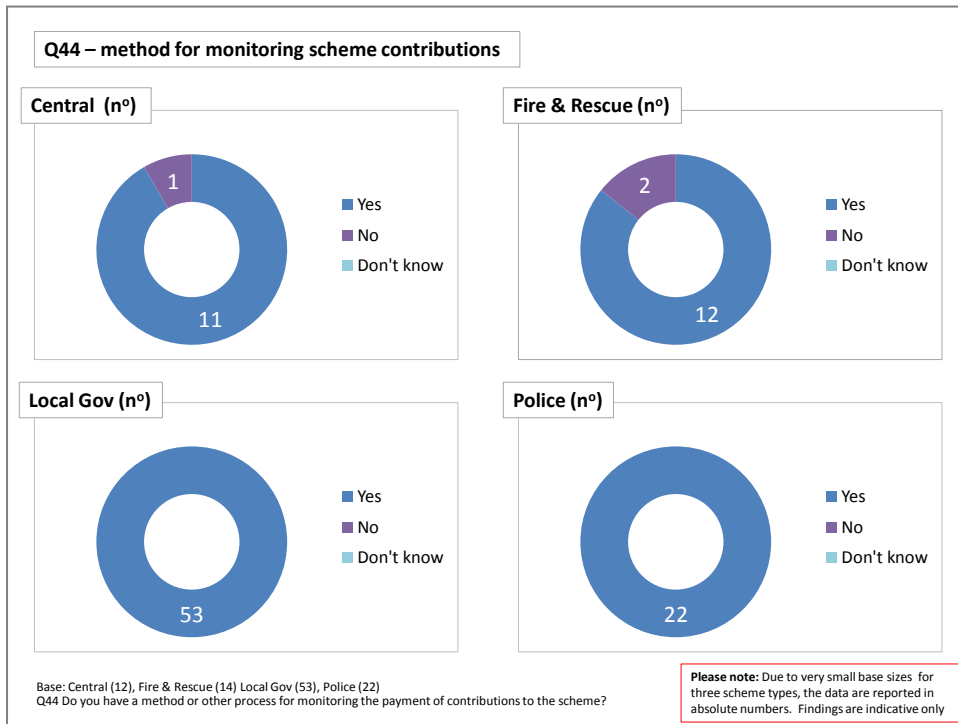
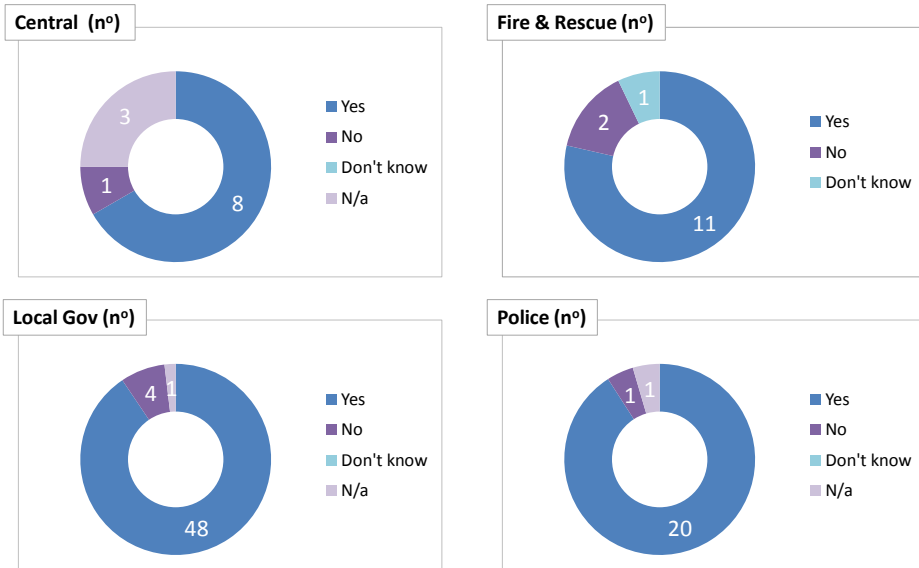


Figure 4.14-2: Processes in place to resolve payment issues and assess whether to report payment failures

Q45 – processes for resolving payment issues and assessing whether to report payment failures

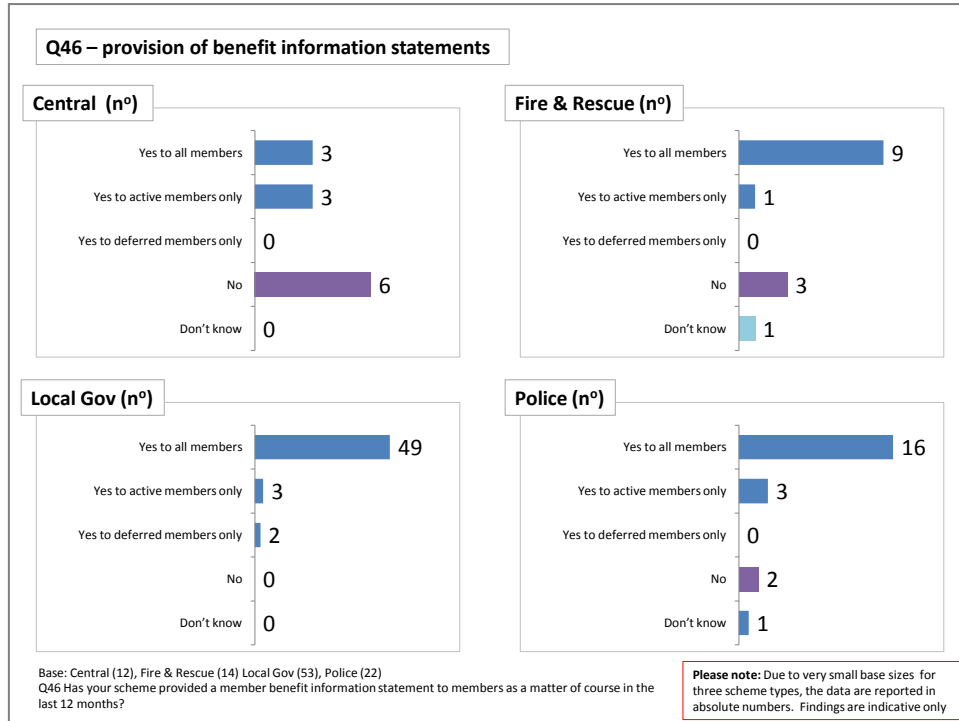


Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
 Q45 Does your scheme have a process to resolve payment issues and assess whether to report payment failures?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

4.15 Providing information to members

Figure 4.15-1: Provision of benefit information statements to members as a matter of course in the last 12 months



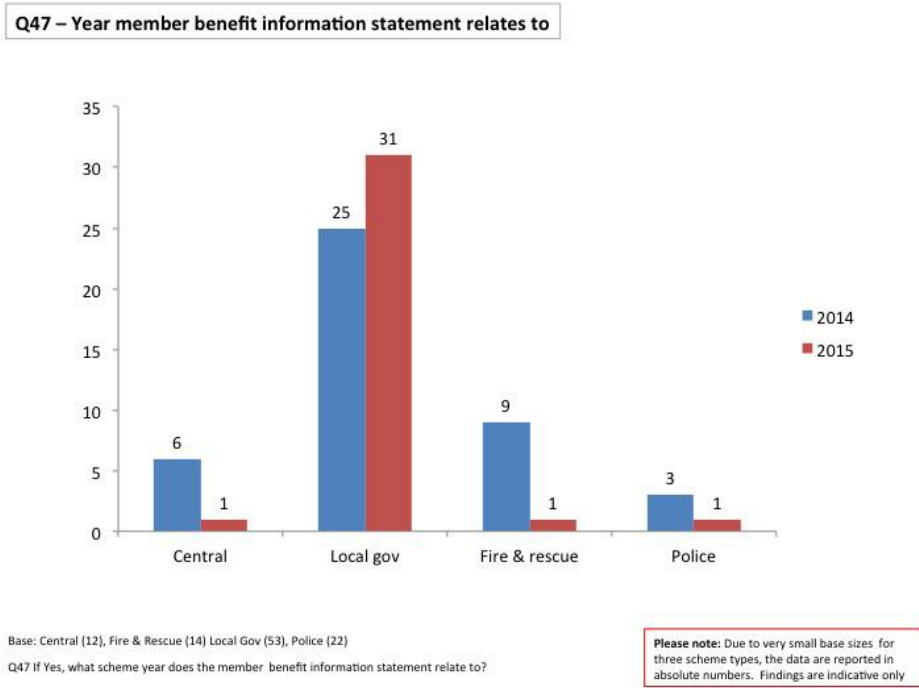
Overall, 77 out of 101 (76%) of schemes reported that they had issued a member benefit statement to all members as a matter of course in the last 12 months.

Half of Central schemes (6 out of 12) had provided member benefit information statements to members as a matter of course in the last 12 months. Three provided these to all members and three to active members only.

The majority of Fire and rescue (9 out of 14) and Police (16 out of 22) schemes had provided member benefit information statements to all members as a matter of course in the last 12 months

Among Local government schemes, all schemes had provided member benefit information statement to members as a matter of course in the last 12 months, with the vast majority being provided to all members (49 out of 53).

Figure 4.15-2: Year that the member benefit statement refers to



Of the schemes that had provided a member benefit statement in the previous 12 months, the majority related to the year ended 31 March 2014 for Central, Fire and rescue and Police schemes. For Local government, the majority related to the year ended 31 March 2015.

4.16 Internal Dispute Resolution

Figure 4.16-1: frequency of assessing effectiveness of Internal Dispute Resolution arrangements

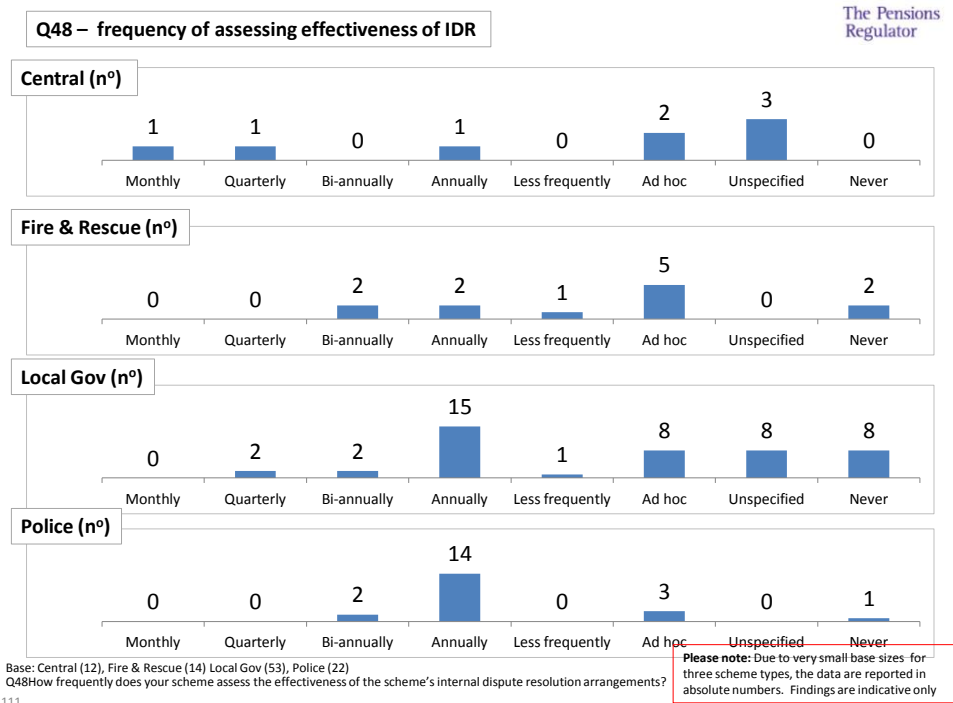
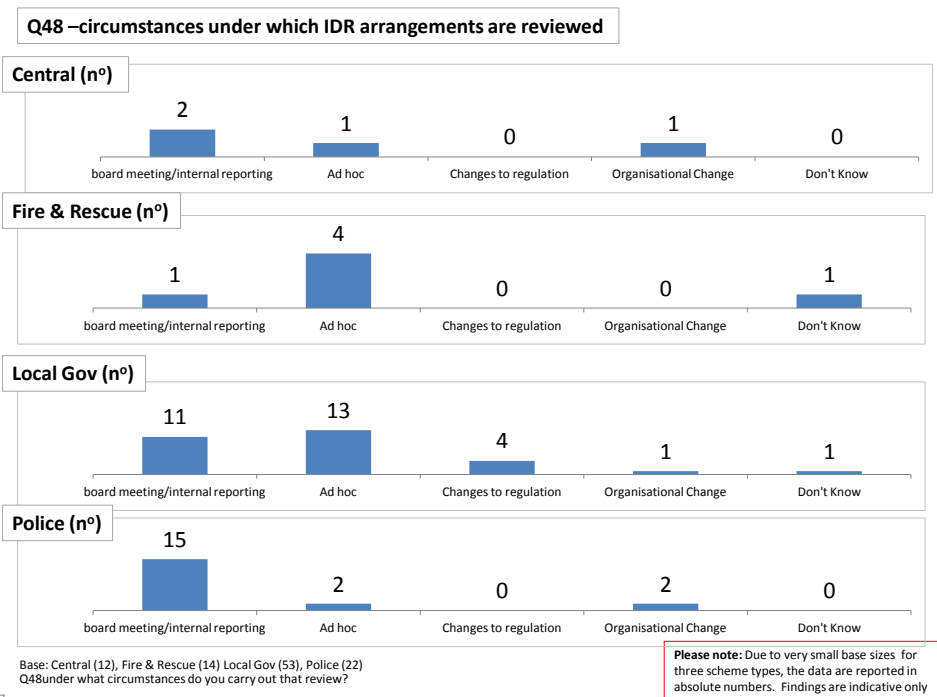


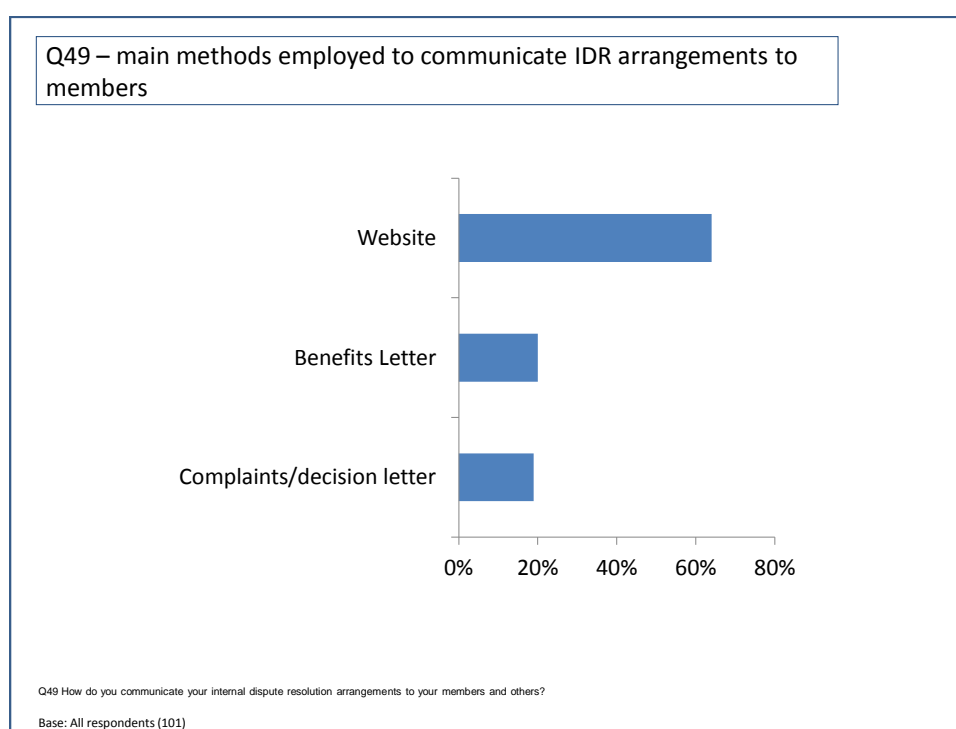
Figure 4.16-2: circumstances under which Internal Dispute Resolution arrangements are reviewed



In terms of internal dispute resolution (IDR) arrangements, assessments tended to be carried out on infrequent or ad hoc basis for all scheme types. 14 out of 22 Police schemes and 15 out of 53 Local Government schemes reported that they carried out reviews annually. Schemes reported that they typically reviewed arrangements as part of a wider internal reporting review.

Online methods were prevalent as a form of communication, but IDR arrangements were either included with or mentioned in hard copy communications by a large minority of schemes. This was consistent across all scheme types.

Figure 4.16-3: main methods employed to communicate Internal Dispute Resolution arrangements to members



4.17 Reporting breaches

Training was provided to the scheme managers and pension board members on their duty to report breaches of the law to the regulator for 71 out of 101 (70%) schemes. Overall, 56 out of 101 (55%) schemes reported that their scheme had procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law.

Among Central schemes, training was provided in two-thirds of the schemes (8 out of 12). The same proportion of schemes (8 out of 12) had procedures in place regarding identifying and assessing breaches of the law.

Just over half (8 out of 14) of Fire and rescue schemes stated training was provided regarding reporting breaches of the law, with five schemes stating they had procedures relating to identifying and assessing breaches of the law in place.

Training was provided regarding duties to report breaches of the law among two-thirds of Local government schemes (37 out of 53). With regard to having procedures in place relating to identifying and assessing breaches of the law, half of the Local government schemes stated they were doing this (27 out of 53).

The vast majority of Police schemes (18 out of 22) provided training regarding reporting breaches of the law. Around three-quarters (16 out of 22) had procedures relating to identifying and assessing breaches of the law in place.

Figure 4.17-1: Provision of training for scheme managers and pension board members on their duty to report breaches of the law to the regulator

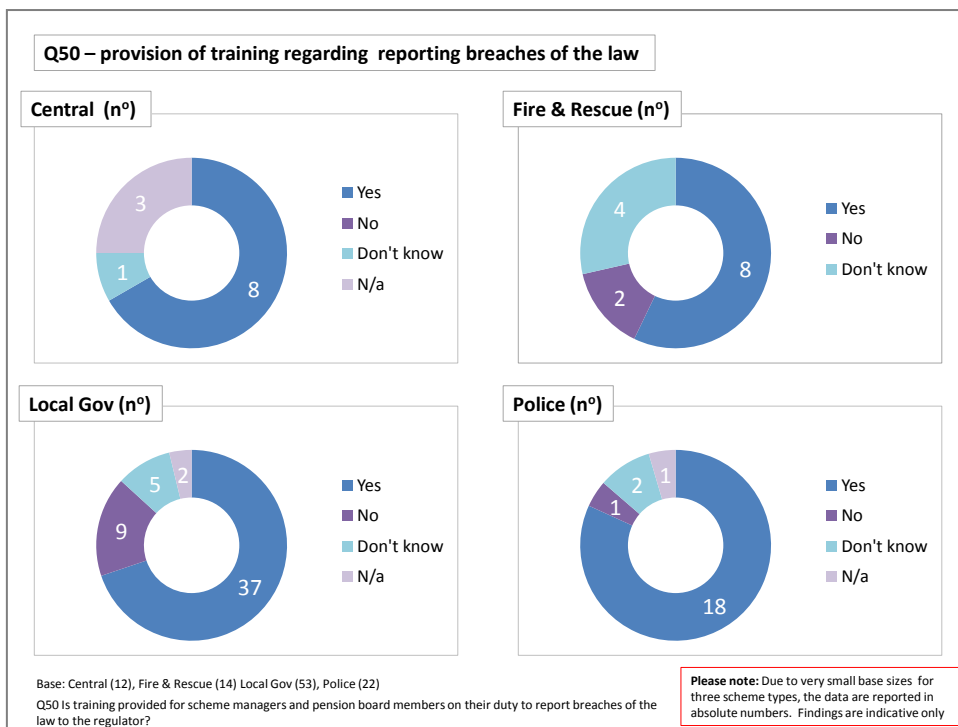
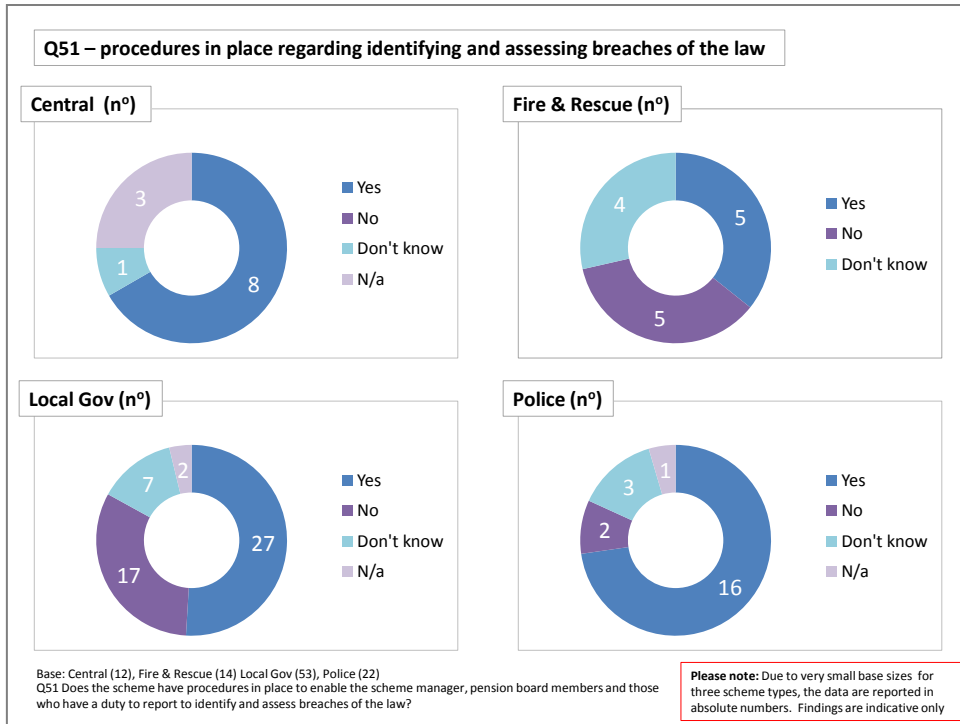


Figure 4.17-2: Procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law



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Committee and date

Pensions Board

5 February 2016

10.00am

Item

Public

Pension Related Complaints

Responsible Officer Rebecca Purfit

Email: rebecca.purfit@shropshire.gov.uk

Tel: 01743 254457

1. Summary

The report provides Pension Board members with a summary of the number of pension related complaints and outcomes in 2015/16. Please note this report does not include formal appeal cases made under the Internal Dispute Resolution Procedure (IDRP) these cases are reported formally in the Funds Annual Report.

2. Recommendations

Members are asked to note the position as set out in this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

None

4. Number of complaints received in 2015/16:

A total of 3 complaints were received during this period. All 3 complaints were resolved at first point of contact none became formal appeals.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

NA



Committee and date

Pensions Board

5 February 2016

10.00am

Item

Public

Issues relating to 'scamming'

Responsible Officer Rebecca Purfit

Email: rebecca.purfit@shropshire.gov.uk

Tel: 01743 254457

1. Summary

This report provides information on the issues relating to pension 'scamming' and details how the pension's administration team ensure only legitimate transfers are made when transferring out benefits from the Scheme.

2. Recommendations

Members are asked to accept the position as set out in the report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the legislation and processes mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

Any recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

Transfers out from the Local Government Pension Scheme (LGPS) to another pension provider are made on a cost-neutral basis removing any future liability to the Fund.

4. Transferring benefits out of the Scheme

4.1 From 1st April 2014, if an active member leaves with more than two years' service they are entitled to a deferred pension based on their accrual to the date of leaving. They can then transfer to another pension arrangement e.g. Occupational Scheme, Personal Pension, should they so wish unless they are within 12 months of their Normal

Pension Age (NPA). A retired member receiving payment of their pension cannot transfer benefits out of the Scheme.

5. Freedom and Choice

- 5.1** The government introduced Freedom and Choice legislation in April 2015 which gave increased flexibility in the options available to members of Defined Contribution (DC) Schemes. These new freedoms only apply to DC Schemes and not Defined Benefit (DB) Schemes such as the LGPS. The only way an LGPS member can access their pension through these freedoms is by transferring to a DC Scheme.
- 5.2** To release benefits from the LGPS the Fund has robust processes in place to ensure that members are protected from potential scams. If the transfer is valued over £30,000, the member must seek financial advice as this is now a regulatory requirement.
- 5.3** The Pensions Regulator (TPR) has a leaflet on how to avoid ‘Pension Scams’. This leaflet is included in all transfer-out quotations issued by the Fund. It is available to read on the ‘Transfers Out’ pages on the website: <https://shropshirecountypensionfund.co.uk/left-but-no-benefits-paid/about-your-pension/when-is-a-deferred-pension-paid/pensions-liberation/>
- 5.4** The Pensions Team use the TPR’s scam action pack for administrators which includes a check list, which if any are answered ‘yes’ to may be cause for concern, as a scam may be taking place, **Appendix A**. Transfer out request forms are also used to ensure the necessary information is provided to the member before they make a request. The forms used have been provided by the Local Government Association therefore include the necessary regulatory information which must be collated for all transfers out.

The Government has also set up a service called ‘Pension Wise’ which offers free and impartial guidance over the phone or face-to-face to individuals considering transferring pension benefits. Information about this service has been communicated to members in newsletters and via the Funds website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

05/02/16 Item 6 Communicating and Safeguarding of hard to reach groups.

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – The Pension Regulators Action Pack

Pension scams

Don't get stung.



Action pack for trustees and administrators

Page 159

Pension scams: the facts

Pensions are changing. From April 2015, pension scheme members can access their pension savings in new ways.

Scammers will try to lure your members with promises of one-off investments, pension loans or upfront cash. Most of these are bogus.

Pension scam models are also changing. Many scammers are directing members to transfer into single member occupational schemes in an attempt to escape scrutiny.

If the member is under age 55, they cannot release their pension unless they are in ill health. If members are over 55, they can release funds from their pension from April 2015. They may still be at risk from scammers. Make sure you signpost your members to the government's Pension Wise service to understand their options.

Members with defined benefits must take appropriate independent advice from an FCA-authorised adviser before transferring their benefits from April 2015. You might also want to encourage members with defined contribution benefits to take advice before making any decisions.

Read on for tips on how to spot a scam and who to contact with concerns. **Help your members to protect themselves and stop a lifetime's savings being lost.**



How you can help protect members

The pensions landscape is changing significantly, and the government has set up a new service called Pension Wise to help members approaching retirement or age 55. Encourage your members to understand their options by visiting www.pensionwise.gov.uk.

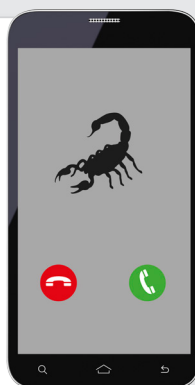
Scammers will try to take advantage of the new flexibilities in the system to target members. Trustees, administrators and pension providers play a crucial role in helping stop pension scams. Make sure you give scheme members regular, clear information – for example, in their annual pension statement and whenever they request a transfer pack – about how to spot a scam. Please include our pension scams leaflet in your member communications. You can download it at www.pension-scams.com.

If a member is asking for a scheme transfer, use the checklist on the next page to find out more about the receiving scheme and how the member came to make the request.

How to spot the warning signs

Some of the most common tactics scammers use to trick members out of their savings

A cold call, text message, website pop-up or someone coming to the door offering a **'free pension review'**, **'one-off investment opportunity'** or **'legal loophole'**



Convincing marketing materials that promise **returns of over 8%** on the investment

Paperwork delivered to the door by courier that requires immediate signature



Pension access before age

55



Overseas transfer of the funds



A proposal to put the money in a single investment. **In most circumstances, financial advisers will suggest diversification of assets.**

Checklist

Answering **yes** to any of these questions individually does not necessarily indicate a pension scam, but if several features are present there may be cause for concern.

The nature/status of the scheme	
Is the scheme to which the member wants to transfer:	How to establish
<ul style="list-style-type: none"> newly or not registered for tax purposes with HMRC, whether it is an occupational or personal scheme (including SIPPs)? 	<ul style="list-style-type: none"> Check the scheme is registered with HMRC for tax purposes: ask the pension scheme in question for documentary evidence of their registration. You can also write to HMRC for confirmation (see p9)
<ul style="list-style-type: none"> a personal pension (eg a SIPP) where the scheme operator is not authorised by the Financial Conduct Authority (FCA)? 	<ul style="list-style-type: none"> Check the scheme operator is authorised with the FCA (www.fca.org.uk/register)
<ul style="list-style-type: none"> a recently set up small self-administered scheme, where the member is a trustee? 	<ul style="list-style-type: none"> Ask the member
<ul style="list-style-type: none"> sponsored by a newly registered employer? sponsored by a dormant employer? sponsored by an employer that is geographically distant from the member? 	<ul style="list-style-type: none"> Obtain employer information from scheme in question Check with Companies House for details of the employer status (www.companieshouse.gov.uk)
<ul style="list-style-type: none"> sponsored by an employer that doesn't employ the member? 	<ul style="list-style-type: none"> Ask the member
<ul style="list-style-type: none"> connected to an unregulated investment company? 	<ul style="list-style-type: none"> Ask the receiving scheme for details of their investment service providers Check these providers with the FCA (www.fca.org.uk/register)

Description/promotion of the scheme	
Do descriptions, promotional materials or adverts:	How to establish
<ul style="list-style-type: none"> include the words 'loan', 'savings advance', 'cash incentive', 'bonus', 'loophole', 'preference shares', 'one-off investment opportunities', 'free pension reviews' or 'government endorsement'? allude to overseas investments? hint at unusual, creative or new investment techniques? 	<ul style="list-style-type: none"> Ask the member for copies of promotional materials, emails or letters about the scheme Ask the member about the way the receiving scheme has been described to them over email/text/phone

The scheme member	
Has the member:	How to establish
<ul style="list-style-type: none"> been contacted by an 'introducer'? been advised by a non-regulated adviser? taken no advice? decided to transfer after receiving cold calls, unsolicited emails or text messages about their pension? 	<ul style="list-style-type: none"> Ask the member about how he/she became aware of the receiving scheme Check whether the advisers are approved by the FCA at www.fca.org.uk/register
<ul style="list-style-type: none"> pressured the trustees/administrators to carry out the transfer as quickly as possible? mentioned that your pension scheme has transferred funds to this arrangement before? 	<ul style="list-style-type: none"> Check whether the member has contacted trustees/administrators to hurry along transfer since first submitting request
<ul style="list-style-type: none"> not received documentation from the new scheme? 	<ul style="list-style-type: none"> Check whether the member has received documents
<ul style="list-style-type: none"> been told they can access their pension before age 55? been misled about the potential tax consequences? 	<ul style="list-style-type: none"> Review promotional material for receiving scheme
<ul style="list-style-type: none"> been advised that there will be no contributions paid by themselves or the employer? 	<ul style="list-style-type: none"> Ask what the member has been told about contributions

Trustees and administrators should take care to ensure that they have the exact name of the scheme correct – in some instances, dummy schemes have been set up with names that are almost identical to legitimate schemes. See page 10 for next steps if you have concerns.



Oliver's story

Tricked into being part of the scam

Age: **45**

Length of time in company pension: **15 years**

Investment offer: **overseas property developments**

Oliver is cold called by someone who says his name is Paul, a financial adviser authorised by the government. He asks if Oliver is interested in making the money in his pension pot work harder – as well as releasing some funds for Oliver to spend as he likes.

Paul says he could get Oliver an initial cash back bonus of 30% of the value of his pension pot, and a much better return on his money – around 8%. All he needs to do is sign a document saying he wants to transfer his pension into another scheme, and the money will then get invested in a hotel complex in an up-and-coming area of Spain.

Paul tells him that if he agrees to be 'locked in' to the investment for 10 years, he will get an annual cash back payment of £1,000. Oliver is keen to make the most of his money – he's heard that he'll be able to do what he wants with his savings when he's 55, so thinks this could be a good solution to beating the current low interest rates that mean his pension pot isn't growing as quickly as he'd like.

Oliver's a bit concerned that it sounds too good to be true, but Paul reassures him. He says he understands there are lots of crooks out there but he's government registered. He promises to send Oliver some marketing material and encourages him to check out the website. He tells Oliver that there are only a few opportunities left and that it's a time-limited offer, so if he wants to make the most of it, he should act quickly.

The next day, Oliver gets a glossy brochure through his door – he has a read through and it looks very slick and professional. The website also seems completely legitimate. Oliver likes to think he's an intelligent person, and Paul seems very nice and credible. In fact, Paul calls back that afternoon, and Oliver decides that you only live once – why not go for it? You have to speculate to accumulate.

Within a couple of hours, a courier comes round with some papers to sign. Oliver has a quick look through them and is surprised to see that the documents say he is now a company director and trustee of his pension scheme. He doesn't remember Paul saying anything about making him a company director, but the courier can't give him any more information and Oliver keeps thinking of the time-limited offer. So he signs on the dotted line. Shortly afterwards, he receives his cash back bonus.

Later that year, Oliver decides to call up and check on how his investment's doing. The phone number is disconnected, so he searches online and finds out that some pension transfer offers are scams. After several more months of trying to locate Paul and the missing money, Oliver calls the police and comes to realise that he has probably lost his whole pension pot.

By signing the papers and becoming a company director, he has taken on new legal duties with Companies House and HMRC, of which he was unaware at the time he signed the papers. This leads to HMRC fining him for tax-related offences. He also faces penalties from Companies House for not submitting information he should have.

Not only has Oliver lost 15 years' worth of hard-earned savings that he'd set aside for his retirement – he's also having to pay thousands of pounds in fines to the authorities.



What should Oliver have spotted?

- Cold call
- Claims of adviser being authorised by government – but not registered with the FCA
- Promises of cash back under the age of 55
- Unrealistic guaranteed returns of at least 8% – with no information as to how it will be achieved
- Promises of higher returns if he agrees to being 'locked in' to a single investment for a number of years
- Being rushed into signing couriered documents with promises of a time-limited offer
- Documents naming him as company director and trustee of the pension scheme

Carrying out due diligence

Representative bodies from across the pensions industry have published a code of good practice that sets out due diligence processes to combat pension scams. Find the code at www.combatingpensionscams.org.uk.

The Pensions Regulator can't predetermine any future regulatory action it may take. However, where the transferring trustees or administrators can provide evidence for concerns that member funds may be at risk, then this would be a factor to consider when deciding whether to take action in respect of the non-payment of a transfer.

The regulator isn't able to waive a trustee's legal duty to carry out a transfer within the statutory deadline where the legislative requirements or requirements under the scheme rules are met and expects the majority of transfer requests to be completed within this timeframe.

If the trustees of a transferring scheme need more time to carry out the due diligence steps in the code of good practice, and if they consider that they meet the criteria for an extension, then they may apply to the regulator for an extension to the normal six-month time period. Circumstances where an extension may be granted include:

- the member has not taken all steps they need to take to carry out the transfer
- the trustees have not been provided with such information as they reasonably require properly to carry out what the member requires.

The application for the extension must be made within the six month time period. It should identify the grounds for the request for an extension, indicate the additional time required to effect the transfer and the reasons why the transfer cannot be completed on time. Where trustees suspect a pension scam, they should consider making such an application as soon as due diligence raises concerns and they consider that the criteria to request an extension are met.

Approved financial advisers

The FCA regulates firms and individuals that provide financial advice. If someone claims to be a financial or pension adviser then members can check with the FCA to make sure they are authorised. It's important that members check this before they act on any pensions advice that they receive.

The FCA also regulates those responsible for operating SIPPs, personal- and contract-based stakeholder pension schemes. If you are concerned that a member of your scheme may have been targeted by a scam, then you can check whether the receiving pension provider is authorised by the FCA.

Visit www.fca.org.uk/register to perform these checks. If you have concerns about a firm or individual appearing on this register, contact firm.queries@fca.org.uk.

Tax-registered pension schemes

One of HMRC's functions is to protect the tax relief given to pension savings in registered pension schemes. Pension scams put this tax relief at risk.

HMRC has introduced checks on all applications to register a pension scheme and monitors activity throughout the life of a registered pension scheme. If HMRC does not believe a scheme is being set up as a genuine pension scheme, or does not believe the scheme administrator is a fit and proper person to undertake the role, it will not register that scheme. If a pension scheme has not complied with its pension tax obligations HMRC can impose sanctions on it which can include de-registering the scheme so that the scheme can no longer benefit from tax advantages.

If a scheme administrator has carried out due diligence checks on a transfer but still has concerns, they can request confirmation of the registration status of the receiving scheme from HMRC in writing to Pension Schemes Services, HMRC, FitzRoy House, Castle Meadow Road, Nottingham, NG2 1BD. **If the scheme isn't registered at all, you should not process the transfer.**

Next steps if you have concerns

- Contact the member to establish whether they understand the type of scheme they'll be transferring to and send them the pension scams booklet available at www.pension-scams.com
- Speak to the member at risk – over the phone, via email or letter. It could help you establish answers to more of the questions in the checklist
- Direct the member to Action Fraud if you think it is a scam, or The Pensions Advisory Service (TPAS) to discuss the potential consequences of the transfer, including tax repercussions, if any part of the arrangement is deemed as unauthorised
- If the member insists on proceeding with their transfer request, and your concerns remain, then you should alert Action Fraud yourself. There could still be time to protect this member, or others who follow in their footsteps.

Information and guidance on options when approaching retirement:



Backed by HM Government

www.pensionwise.gov.uk

Impartial information and guidance on scams:

The PENSIONS Advisory Service

0300 123 1047

www.pensionsadvisoryservice.org.uk

If you suspect a scam, call:

ActionFraud

National Fraud & Cyber Crime Reporting Centre

0300 123 2040



A cross-government initiative by:

ActionFraud
National Fraud & Cyber Crime Reporting Centre



Pension scams

Action pack for trustees and administrators

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The PENSIONS Advisory Service

The Pensions Regulator
Page 169

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of the Local Government Act 1972.

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